



**SickKids<sup>®</sup>**  
FOUNDATION

THE HOSPITAL FOR SICK CHILDREN FOUNDATION  
**FINANCIAL STATEMENTS**  
MARCH 31, 2023

# Independent auditor's report

To the Members of  
**The Hospital for Sick Children Foundation**

## Report on the consolidated financial statements

### Opinion

We have audited the consolidated financial statements of **The Hospital for Sick Children Foundation** [the "Foundation"], which comprise the consolidated balance sheet as at March 31, 2023, and the consolidated statement of operations and changes in fund balances and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Foundation as at March 31, 2023, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### 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 consolidated financial statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Foundation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

### **Report on other legal and regulatory requirements**

As required by the *Corporations Act* (Ontario), we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

*Ernst + Young LLP*

Toronto, Canada  
June 20, 2023

Chartered Professional Accountants  
Licensed Public Accountants



# SickKids Foundation

## Consolidated balance sheet

[thousands of dollars]

As at March 31

	2023	2022
	\$	\$
<b>Assets</b>		
Cash and cash equivalents	28,937	19,609
Investments, at market <i>[note 3]</i>	1,370,047	1,384,432
Other assets <i>[note 4]</i>	14,864	14,364
Capital assets, net <i>[note 5]</i>	1,090	1,197
<b>Total assets</b>	<b>1,414,938</b>	<b>1,419,602</b>
<b>Liabilities and fund balances</b>		
<b>Liabilities</b>		
Deferred revenue <i>[note 6]</i>	403	2,539
Other liabilities <i>[notes 9 and 14]</i>	26,555	20,872
<b>Total liabilities</b>	<b>26,958</b>	<b>23,411</b>
Commitments and contingencies <i>[notes 9 and 15]</i>		
Subsequent event <i>[note 17]</i>		
<b>Fund balances</b>		
General Fund	921	784
Restricted Fund	277,814	282,328
Endowment Fund <i>[note 7]</i>	1,109,245	1,113,079
<b>Total fund balances</b>	<b>1,387,980</b>	<b>1,396,191</b>
<b>Total liabilities and fund balances</b>	<b>1,414,938</b>	<b>1,419,602</b>

See accompanying notes

On behalf of the Board:



Sonia Baxendale  
Chair, Board of Directors



Derek Neldner  
Chair, Audit and  
Finance Committee

**SickKids Foundation**

**Consolidated statement of operations and changes in fund balances**

[thousands of dollars]

Year ended March 31

	General Fund		Restricted Fund		Endowment Fund		Total funds	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$
Fundraising programs <i>[note 11]</i>	<b>94,953</b>	96,611	<b>98,379</b>	91,771	<b>11,820</b>	10,125	<b>205,152</b>	198,507
Fundraising program costs <i>[note 12]</i>	<b>50,581</b>	45,539	<b>3,261</b>	2,795	—	—	<b>53,842</b>	48,334
Net fundraising	<b>44,372</b>	51,072	<b>95,118</b>	88,976	<b>11,820</b>	10,125	<b>151,310</b>	150,173
Lottery <i>[note 13]</i>	<b>33,056</b>	33,235	—	—	—	—	<b>33,056</b>	33,235
Lottery costs <i>[note 13]</i>	<b>25,931</b>	24,848	—	—	—	—	<b>25,931</b>	24,848
Net lottery	<b>7,125</b>	8,387	—	—	—	—	<b>7,125</b>	8,387
Parking <i>[note 9]</i>	—	—	<b>6,619</b>	6,489	—	—	<b>6,619</b>	6,489
Parking costs <i>[note 9]</i>	—	—	<b>5,834</b>	5,701	—	—	<b>5,834</b>	5,701
Net parking	—	—	<b>785</b>	788	—	—	<b>785</b>	788
<b>Total net revenue</b>	<b>51,497</b>	59,459	<b>95,903</b>	89,764	<b>11,820</b>	10,125	<b>159,220</b>	159,348
Investment income <i>[notes 3 and 7]</i>	<b>20,438</b>	28,439	<b>6,023</b>	11,914	—	—	<b>26,461</b>	40,353
Other income	<b>744</b>	2,689	—	—	—	—	<b>744</b>	2,689
<b>Net revenue, including investment income and other income</b>	<b>72,679</b>	90,587	<b>101,926</b>	101,678	<b>11,820</b>	10,125	<b>186,425</b>	202,390
Expenses <i>[notes 9, 12 and 14]</i>								
General fundraising and administrative	<b>6,906</b>	8,005	<b>21</b>	15	—	—	<b>6,927</b>	8,020
<b>Excess of revenue over expenses before grants and charitable activity</b>	<b>65,773</b>	82,582	<b>101,905</b>	101,663	<b>11,820</b>	10,125	<b>179,498</b>	194,370
Grants and charitable activity <i>[notes 9 and 12]</i>	<b>67,172</b>	59,758	<b>120,537</b>	81,699	—	—	<b>187,709</b>	141,457
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>(1,399)</b>	22,824	<b>(18,632)</b>	19,964	<b>11,820</b>	10,125	<b>(8,211)</b>	52,913
Fund balances, beginning of year	<b>784</b>	772	<b>282,328</b>	252,082	<b>1,113,079</b>	1,090,424	<b>1,396,191</b>	1,343,278
Interfund transfers <i>[note 8]</i>	<b>1,536</b>	(22,812)	<b>14,118</b>	10,282	<b>(15,654)</b>	12,530	—	—
<b>Fund balances, end of year</b>	<b>921</b>	784	<b>277,814</b>	282,328	<b>1,109,245</b>	1,113,079	<b>1,387,980</b>	1,396,191

See accompanying notes

## SickKids Foundation

### Consolidated statement of cash flows

[thousands of dollars]

Year ended March 31

	2023	2022
	\$	\$
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses for the year	(8,211)	52,913
Add item not involving cash		
Amortization of capital assets	643	754
Changes in non-cash working capital balances related to operations		
Other assets	(500)	3,031
Deferred revenue	(2,136)	54
Other liabilities	5,683	6,712
Reinvested investment income	(26,461)	(40,353)
<b>Cash provided by (used in) operating activities</b>	<b>(30,982)</b>	<b>23,111</b>
<b>Investing activities</b>		
Withdrawals from (contributions to) externally managed investments, net	40,846	(18,143)
Additions to capital assets	(536)	(310)
<b>Cash provided by (used in) investing activities</b>	<b>40,310</b>	<b>(18,453)</b>
<b>Net increase in cash during the year</b>	<b>9,328</b>	<b>4,658</b>
Cash and cash equivalents, beginning of year	19,609	14,951
<b>Cash and cash equivalents, end of year</b>	<b>28,937</b>	<b>19,609</b>

See accompanying notes

## SickKids Foundation

# Notes to consolidated financial statements

March 31, 2023

### 1. Purpose of the organization

The Hospital for Sick Children Foundation, also known as SickKids Foundation [the “Foundation”], is incorporated under the laws of Ontario as a corporation without share capital. The Foundation receives, accumulates and distributes funds and/or the income therefrom for the benefit of The Hospital for Sick Children [the “Hospital”], any other hospital, university, medical association, foundation or person, in respect of medical research and other activities related to the health of children.

The Foundation is a public foundation registered under the *Income Tax Act* (Canada) [the “Act”] and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

### 2. Summary of significant accounting policies

These consolidated financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

#### Basis of presentation

The consolidated financial statements of the Foundation reflect the assets, liabilities and activities of the Foundation and its controlled not-for-profit organization, the SickKids Charitable Giving Fund [“SKCGF”] [note 10]. All significant transactions between the organizations have been eliminated.

#### Fund accounting

For financial reporting purposes, the accounts of the Foundation have been classified into funds. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

The General Fund accounts for the Foundation’s general fundraising, granting and administrative activities. This fund reports unrestricted resources available for immediate purposes.

The Restricted Fund reports resources that are to be used for specific purposes as specified by the donor or donor appeal.

The Endowment Fund reports resources where either external or internal restrictions require that the principal must be maintained permanently.

#### Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit. Cash and investments meeting the definition of cash and cash equivalents that are held for investing rather than operating purposes are classified as investments.

#### Financial instruments

Investments and derivative financial instruments, which include forward foreign exchange contracts, are recorded at fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

## SickKids Foundation

### Notes to consolidated financial statements

March 31, 2023

Other financial instruments, including cash and cash equivalents, other assets and other liabilities, are initially recorded at fair value, which represents cost, and subsequently measured at amortized cost, less any provision for impairment.

#### Capital assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

##### *Tangible*

Computer hardware	3 years
Furniture and other equipment	3–5 years
Leasehold improvements	Term of lease

##### *Intangible*

Computer software	3–6 years
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Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not contribute to the Foundation's ability to provide goods and services. Any impairment results in a write-down of the asset and an expense in the consolidated statement of operations and changes in fund balances. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

#### Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions, which includes bequests and other donations. Contributions are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions to fulfill pledges are recorded in the accounts when received since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue in the General Fund. Donor-restricted contributions for specific purposes are recognized as revenue in the Restricted Fund unless the principal is to be maintained permanently, in which case the contributions are recognized as revenue in the Endowment Fund.

Investment income (loss), which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, net of safekeeping and investment management and other investment expenses, is recorded in the consolidated statement of operations and changes in fund balances. Investment income on Endowment Fund resources that must be spent on donor-restricted activities is recognized in the Restricted Fund as payout. Investment income (loss) subject to donor restrictions stipulating that it be added to (deducted from) the principal amount of the endowment is recognized in the Endowment Fund as capital preservation over and above the payout. Unrestricted investment income in the amount of payout is recognized in the General Fund. Investment income (loss) is allocated among the funds based on the Foundation's Fund Unitization and Capital Preservation Policy [note 7].

Lottery revenue and revenue from special events are recognized in the fiscal year in which the program is concluded. Revenue related to lotteries for which prize draws and events take place subsequent to the year-end is deferred.



## **SickKids Foundation**

### **Notes to consolidated financial statements**

March 31, 2023

#### **Grant recognition**

Grants are recognized when approved for payment and the grantee has complied with all terms and conditions.

#### **Foreign currency translation**

Monetary assets, liabilities, revenue and expense items denominated in foreign currencies are translated into Canadian dollars at rates of exchange prevailing on the following dates: monetary assets and liabilities as at the consolidated balance sheet date and revenue and expenses at the transaction date. Translation gains and losses are recorded in the consolidated statement of operations and changes in fund balances.

#### **Contributed materials and services**

Because of the difficulty in determining their fair value, only contributions of materials and services that can be reliably valued and are for the use of the Hospital are recognized in the consolidated financial statements. Volunteers contribute a substantial number of hours each year to assist the Foundation in carrying out its fundraising activities; however, those services cannot be readily valued and are therefore not recognized in the consolidated financial statements.

#### **Employee future benefit plans**

Contributions to a defined contribution plan are expensed on an accrual basis.

The Foundation has an obligation to provide supplemental pension benefits to certain former and current employees. The Foundation accounts for this plan using the immediate recognition approach and recognizes the amount of the accrued benefit obligation in the consolidated balance sheet. Actuarial gains and losses and past service costs, if any, are recorded directly in fund balances. The accrued benefit obligation is determined based on an actuarial valuation using accounting assumptions that are prepared at least every three years. During those years where an actuarial valuation is not prepared, the Foundation estimates the obligation.

#### **Allocation of expenses**

The costs of certain general support departments considered to be primarily related to fundraising programs, such as gift administration and information technology, are allocated to fundraising programs. Costs considered to be related primarily to supporting granting are allocated to charitable activities. The costs of other support departments, such as public relations and finance, are included in general fundraising and administrative expenses.

## SickKids Foundation

### Notes to consolidated financial statements

March 31, 2023

#### 3. Investments

Investments consist of the following:

	2023		2022	
	[\$000's]	%	[\$000's]	%
Short-term investments	<b>235,900</b>	<b>18</b>	293,550	21
Fixed income				
Corporate – Global	<b>172,495</b>	<b>13</b>	170,828	12
Equities				
Canadian	<b>150,574</b>	<b>11</b>	161,018	12
US	<b>100,221</b>	<b>7</b>	132,194	10
Japanese	<b>33,764</b>	<b>2</b>	15,608	1
European	<b>140,765</b>	<b>10</b>	95,899	7
Global pooled	<b>468,772</b>	<b>34</b>	443,327	32
Other international	<b>63,690</b>	<b>5</b>	65,109	5
Forward foreign exchange contracts, net	<b>3,866</b>	<b>&lt;1</b>	6,899	<1
	<b>1,370,047</b>	<b>100</b>	1,384,432	100

As at March 31, 2023, bond holdings have a weighted average term of 4.91 years [2022 – 4.14 years] to maturity and a weighted average yield of 5.14% [2022 – 3.19%].

In order to manage foreign currency exposure, the Foundation has entered into two forward foreign exchange contracts. As at March 31, 2023, these forward foreign exchange contracts with a Canadian chartered bank allow the Foundation to sell US\$175.5 million on June 14, 2023 at an exchange rate of 1.3759 [fair value of \$4.2 million], and to sell €24.0 million on June 14, 2023 at an exchange rate of 1.4591 [fair value at a loss of \$0.3 million]. The total fair market value of these contracts as at March 31, 2023 is a gain of \$3.9 million.

As at March 31, 2022, these forward foreign exchange contracts with a Canadian chartered bank allow the Foundation to sell US\$226.0 million on June 14, 2022 at an exchange rate of 1.27844 [fair value of \$6.6 million], and to sell €28.0 million on June 14, 2022 at an exchange rate of 1.4053 [fair value of \$0.3 million]. The total fair market value of these contracts as at March 31, 2022 is a gain of \$6.9 million.

Fees of \$3.7 million [2022 – \$5.5 million] were paid to investment managers and deducted from investment income.

## SickKids Foundation

### Notes to consolidated financial statements

March 31, 2023

#### 4. Other assets

Other assets consist of the following:

	2023	2022
	[\$000's]	[\$000's]
Accounts receivable	5,167	4,805
Prepaid expenses	1,222	1,953
Life insurance policies	8,475	7,606
	<b>14,864</b>	<b>14,364</b>

The life insurance policies represent the discounted present value of the proceeds of policies owned by the Foundation.

#### 5. Capital assets

Capital assets consist of the following:

	Cost		Accumulated amortization		Net book value	
	2023	2022	2023	2022	2023	2022
	[\$000's]	[\$000's]	[\$000's]	[\$000's]	[\$000's]	[\$000's]
<b>Tangible</b>						
Computer hardware	4,925	4,533	4,407	4,068	518	465
Furniture and other equipment	1,541	1,498	1,481	1,373	60	125
Leasehold improvements	4,028	4,028	3,653	3,564	375	464
<b>Intangible</b>						
Computer software	4,016	3,915	3,879	3,772	137	143
	<b>14,510</b>	<b>13,974</b>	<b>13,420</b>	<b>12,777</b>	<b>1,090</b>	<b>1,197</b>

#### 6. Deferred revenue

As at March 31, 2023, \$0.4 million [2022 – \$2.5 million] in revenue has been received for events that are due to occur in fiscal 2023.

#### 7. Endowment fund

[a] The Endowment Fund consists of externally restricted contributions received by the Foundation where the endowment principal is required to be maintained intact over the long term. The Endowment Fund also includes internal resources transferred by the Board of Directors [the "Board"] with the intention that the principal be maintained intact, but may be drawn down to fund operating activities and grants as required. The Endowment Fund is preserved through the Foundation's Fund Unitization and Capital Preservation Policy.

## SickKids Foundation

### Notes to consolidated financial statements

March 31, 2023

- [b] Investment income (loss) is allocated among the funds based on the Foundation's Fund Unitization and Capital Preservation Policy. This policy has the objective of protecting the real value of the endowments over time by limiting the amount of income made available for spending and requiring the reinvestment of income not made available. The policy establishes, where applicable, a payout amount based on 4.25% [2022 – 4.25%] multiplied by the average of the current and two previous fiscal years' unit values multiplied by the number of units in the Endowment Fund, of which 0.75% [2022 – 0.75%] is credited to the General Fund for administration. In any year, should net investment income not be sufficient to fund the payout calculated in accordance with the Foundation's policy, an amount is transferred from the Endowment Fund to the Restricted and General Funds, as required.

The preservation of capital [i.e., any excess investment income earned above the payout amount] is recorded as revenue of the Endowment Fund for externally endowed funds. For Board endowed funds, the preservation of capital is recorded as income of the General Fund and Restricted Fund, based on the underlying restrictions of the original donation, and transferred to the Endowment Fund in the consolidated statement of operations and changes in fund balances.

- [c] Overall in 2023, investment income was not sufficient to fund the payout. A total of \$20.53 million was earned on investments held for endowed funds. The amount available for payout under the Board policy was \$39.35 million, resulting in a reduction of the Endowment Fund of \$18.82 million. Of the \$18.82 million amount, \$13.05 million is related to externally endowed funds of which \$5.04 million was transferred to the General Fund from the externally endowed funds, income unrestricted and \$8.01 million was transferred to the Restricted Fund from the externally endowed funds, income restricted [note 8[iv]]. An amount of \$5.77 million related to Board endowed funds was transferred to the Restricted Fund of \$3.32 million and to the General Fund of \$2.45 million [note 8[i]]. Of the total payout of \$39.35 million, \$1.23 million was related to Board endowed internally restricted funds and was transferred to the Restricted Fund [note 8[iii]].

A summary of the investment income earned on the endowments and the related payouts is shown below:

	Investment income [\$000's]	Payout [\$000's]	Decrease in Capital Preservation [\$000's]
Externally Endowed, Externally Restricted [note 8[iv]]	7,830	15,840	(8,010)
Externally Endowed, Unrestricted [note 8[iv]]	4,557	9,594	(5,037)
Board Endowed, Externally Restricted [note 8[i]]	1,617	3,399	(1,782)
Board Endowed, Internally Restricted [note 8[ii]]	1,827	3,367	(1,540)
Board Endowed, Unrestricted [note 8[iii]]	4,698	7,146	(2,448)
	<b>20,529</b>	<b>39,346</b>	<b>(18,816)</b>

## SickKids Foundation

### Notes to consolidated financial statements

March 31, 2023

Overall in 2022, investment income was not sufficient to fund the payout. A total of \$34.03 million was earned on investments held for endowed funds. The amount available for payout under the Board policy was \$38.87 million, resulting in a reduction of the Endowment Fund of \$4.84 million. Of the \$4.84 million amount, \$4.67 million is related to externally endowed funds of which \$1.60 million was transferred to the General Fund from the externally endowed funds, income unrestricted and \$3.07 million was transferred to the Restricted Fund from the externally endowed funds, income restricted [note 8[iv]]. An amount of \$0.61 million related to externally restricted Board endowed funds was transferred to the Restricted Fund [note 8[i]]. Capital preservation of \$0.44 million related to Board endowed funds where the income is unrestricted or internally restricted was recorded as income in the General Fund and then transferred to the Endowment Fund [note 8[iii]]. Of the total payout of \$38.87 million, \$2.75 million was related to Board endowed internally restricted funds and was recorded as income in the General Fund and was then transferred to the Restricted Fund [note 8[iii]].

A summary of the investment income earned on the endowments and the related payouts is shown below:

	Investment income [\$000's]	Payout [\$000's]	Increase/ (decrease) in Capital Preservation [\$000's]
Externally Endowed, Externally Restricted [note 8[iv]]	12,426	15,498	(3,072)
Externally Endowed, Unrestricted [note 8[iv]]	7,928	9,523	(1,595)
Board Endowed, Externally Restricted [note 8[i]]	2,753	3,362	(609)
Board Endowed, Internally Restricted [note 8[ii]]	3,411	3,339	72
Board Endowed, Unrestricted [note 8[ii]]	7,508	7,145	363
	34,026	38,867	(4,841)

[d] The Endowment Fund consists of the following accumulated balances:

	2023 [\$000's]	2022 [\$000's]
Externally endowed		
Income restricted for specific purposes	417,821	411,540
Income unrestricted	245,441	250,142
Board endowed		
Income externally restricted for specific purposes	84,878	86,756
Income internally restricted for specific purposes	102,455	106,309
Income unrestricted	258,650	258,332
	1,109,245	1,113,079

## SickKids Foundation

### Notes to consolidated financial statements

March 31, 2023

#### 8. Interfund transfers

Transfers between funds consist of the following:

	General Fund		Restricted Fund		Endowment Fund	
	2023 [\$000's]	2022 [\$000's]	2023 [\$000's]	2022 [\$000's]	2023 [\$000's]	2022 [\$000's]
[i] Payout not covered by investment income on Board endowed funds in accordance with Board Policy [note 7[c]]	2,448	—	3,322	609	(5,770)	(609)
[ii] Preservation of Capital on Board endowed funds in accordance with Board Policy [note 7[c]]	—	(363)	—	(72)	—	435
[iii] Payout allocation on Board endowed internally restricted funds in accordance with Board Policy [note 7[c]]	(1,233)	(2,749)	1,233	2,749	—	—
[iv] Payout on externally endowed funds not covered by investment income in accordance with Board Policy [note 7[c]]	5,037	1,595	8,010	3,072	(13,047)	(4,667)
[v] Board and donor approved re: fund designations [see below]	(1,951)	364	1,553	3,924	398	(4,288)
[vi] Surplus in General Fund [see below] Board endowed unrestricted	19,500	(6,000)	—	—	(19,500)	6,000
Campaign endowed unrestricted	(22,265)	(15,659)	—	—	22,265	15,659
	<b>1,536</b>	<b>(22,812)</b>	<b>14,118</b>	<b>10,282</b>	<b>(15,654)</b>	<b>12,530</b>

#### Interfund transfer for Board and donor-approved fund designations [v]

In 2023, the Board approved net transfers to the Board endowed internally restricted funds of \$0.4 million from the General Fund of \$2.0 million and to the Restricted Fund of \$1.6 million.

In 2022, the Board approved net transfers of \$4.2 million from Board endowed internally restricted funds to the General Fund of \$0.3 million and \$3.9 million to the Restricted Fund.

## SickKids Foundation

### Notes to consolidated financial statements

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#### Transfer of excess (deficiency) to (from) the General Fund [vi]

It is generally the practice of the Board to maintain a small surplus in the General Fund by transferring any excess to the Board endowed unrestricted fund or by covering any deficits in the General Fund with a transfer from the Board endowed unrestricted fund. In 2023, \$19.5 million was transferred to the General Fund from the Board endowed unrestricted fund and \$22.3 million was transferred to the Board endowed unrestricted fund, for the Campaign fund, from the General Fund. In 2022, \$6 million was transferred to the Board endowed unrestricted fund from the General Fund and \$15.7 million was transferred to the Board endowed unrestricted fund, for the Campaign fund, from the General Fund.

#### 9. The Hospital for Sick Children

- [a] The Hospital is a Canadian public hospital and an independent corporation that has its own Board of Trustees. The Foundation is responsible for all fundraising activities carried out on behalf of the Hospital. During the year, the Foundation granted \$181.0 million [2022 – \$133.5 million] to the Hospital for various purposes including research, education, capital and debenture financing [note 15] and operating expenses.
- [b] The Hospital provides certain services to the Foundation and pays certain expenses on behalf of the Foundation. The Foundation reimburses the Hospital for all direct costs associated with services provided and expenses paid. In addition, the Foundation paid the Hospital \$116,400 [2022 – \$108,405] related to participation of current and former employees of the Foundation in the supplemental pension plan [note 14].
- [c] As at March 31, 2023, the Foundation had a net balance payable to the Hospital of \$14.8 million [2022 – \$9.5 million]. This amount includes \$2.5 million [2022 – \$2.5 million] related to the accrued benefits obligation and is included in other liabilities [note 14]. The amounts due to/from the Hospital are non-interest bearing and due on demand.
- [d] On April 1, 2011, the Foundation entered into a 10-year agreement to lease the parking facilities of the Hospital. For the first five years, the lease payments are \$0.3 million per month, increasing to \$0.4 million per month for the last five years of the term. The Foundation has also entered into an agreement with the Hospital for the Hospital to manage the facilities for a fee equivalent to costs incurred by the Hospital to operate the facilities and a portion of the parking fees. During the year, pursuant to the agreement, the Foundation incurred \$4.5 million [2022 – \$4.4 million] in lease expense to the Hospital and \$1.4 million [2022 – \$1.3 million] in management fees. On October 1, 2020, the Foundation entered into the first renewal term from April 1, 2021 to March 31, 2030.

#### 10. SickKids Charitable Giving Fund

SKCGF, incorporated under the laws of Canada in 2005 as a corporation without share capital, is controlled by the Foundation. SKCGF is a public foundation registered under the Act and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

SKCGF receives, accumulates and distributes funds and/or the income therefrom for the benefit of the Foundation and other registered Canadian charities.

## SickKids Foundation

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The Foundation is responsible for fundraising and investment management activities carried on behalf of SKCGF. The investments of SKCGF of \$4.4 million [2022 – \$4.5 million] are pooled together with the investments of the Foundation. The Foundation pays all expenses on behalf of SKCGF and, in return, the Foundation receives an annual management fee of 0.75% [2022 – 0.75%] of the value of SKCGF's invested funds, which in 2023 amounted to \$30,957 [2022 – \$30,443].

#### 11. Gross fundraising programs revenue

Gross fundraising programs revenue consists of the following:

	General Fund		Restricted Fund		Endowment Fund		Total funds	
	2023	2022	2023	2022	2023	2022	2023	2022
	[\$000's]	[\$000's]	[\$000's]	[\$000's]	[\$000's]	[\$000's]	[\$000's]	[\$000's]
Events	<b>5,654</b>	4,648	<b>17,766</b>	13,282	<b>189</b>	136	<b>23,609</b>	18,066
Corporate partnerships	<b>19,526</b>	19,757	<b>14,927</b>	16,725	<b>247</b>	156	<b>34,700</b>	36,638
Direct and digital marketing	<b>46,987</b>	45,357	<b>2,052</b>	2,625	<b>67</b>	77	<b>49,106</b>	48,059
Individual giving	<b>22,786</b>	26,849	<b>63,634</b>	59,139	<b>11,317</b>	9,756	<b>97,737</b>	95,744
<b>Gross fundraising revenue</b>	<b>94,953</b>	96,611	<b>98,379</b>	91,771	<b>11,820</b>	10,125	<b>205,152</b>	198,507

Effective April 1, 2016, pursuant to the Foundation Designated Giving Policy, in general, 10% of all new restricted and endowed gifts not exceeding \$2.5 million is allocated to the General Fund. In 2023, \$6.0 million [2022 – \$6.0 million] of fundraising for restricted purposes and \$0.5 million [2022 – \$0.2 million] of fundraising for endowed purposes were allocated to the General Fund.

#### 12. Allocation of expenses

General support costs of \$27.5 million [2022 – \$24.1 million] have been allocated as follows:

	Direct costs		Allocated costs		Total costs	
	2023	2022	2023	2022	2023	2022
	[\$000's]	[\$000's]	[\$000's]	[\$000's]	[\$000's]	[\$000's]
Fundraising program costs	<b>26,716</b>	24,576	<b>27,126</b>	23,758	<b>53,842</b>	48,334
Grants and charitable activity	<b>187,286</b>	141,088	<b>423</b>	369	<b>187,709</b>	141,457



## SickKids Foundation

### Notes to consolidated financial statements

March 31, 2023

#### 13. Lotteries

During the year, the Foundation held two lotteries and two raffles [2022 – two lotteries and two raffles]. Financial results for the lotteries and raffles concluded during the year are included in the consolidated statement of operations and changes in fund balances and are as follows:

	2023 [\$000's]	2022 [\$000's]
Revenue		
Ticket sales	32,731	32,832
Other	325	403
	<u>33,056</u>	<u>33,235</u>
Costs		
Prizes	14,901	14,116
Other direct	10,374	10,232
Indirect	656	500
	<u>25,931</u>	<u>24,848</u>
<b>Net lottery proceeds</b>	<u><b>7,125</b></u>	<u><b>8,387</b></u>

#### 14. Employee future benefits

Certain employees of the Foundation participated in the Hospital for Sick Children Supplemental Employee Retirement Plan [the "Supplemental Plan"], which is an unfunded pension arrangement. The Foundation has assumed responsibility for the obligation related to benefits to be provided to these current and former employees. The most recent valuation of these benefits for funding purposes was as at March 31, 2022.

As at March 31, 2023, other liabilities include \$2.5 million [2022 – \$2.5 million] representing the amount payable to the Hospital in connection with the accrued benefit obligation related to the benefits to be provided to Foundation employees who participated in the Supplemental Plan [note 9[c]].

#### 15. Commitments and contingencies

[a] The Foundation entered into four funding agreements with the Hospital: the Research Tower Funding Agreement, the Patient Support Centre Funding Agreement, the Peter Gilgan Family Patient Care Tower Funding Agreement and the Core Funding Agreement. The Research Tower Funding Agreement provided for the capital fundraising campaign in respect of the Peter Gilgan Centre for Research and Learning and provided, on a best efforts basis, certain grants to the Hospital in respect of the Peter Gilgan Centre for Research and Learning. The Hospital used a portion of the grants toward the design and construction costs of the Peter Gilgan Centre for Research and Learning and a portion to support the Hospital's interest and principal obligations related to the Series A debentures. Subject to certain provisions for termination, the Research Tower Funding Agreement will remain in effect for as long as any of the Series A debentures are outstanding.

The Patient Support Centre Funding Agreement provides the terms and conditions under which the Foundation will, on a best efforts basis, make grants to the Hospital in respect to the Patient Support Centre Funding Agreement. Grants under this agreement will also support the Hospital's interest obligations related to the Series B debentures.

## SickKids Foundation

### Notes to consolidated financial statements

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The Peter Gilgan Family Patient Care Tower Funding Agreement provides the terms and conditions under which the Foundation will, on a best efforts basis, make grants to the Hospital in respect to the Peter Gilgan Family Patient Care Tower Funding Agreement.

The Core Funding Agreement provides for the terms and conditions under which the Foundation will make grants to the Hospital in respect of core funding support for the SickKids Research Institute, a division of the Hospital, and certain other matters, including grants in support of the operating and maintenance costs of the Peter Gilgan Centre for Research and Learning. Funding for facilities ranks ahead of the Research Tower Funding Agreement and the Patient Support Centre Funding Agreement and is a legally binding obligation.

Each of the Research Tower Funding Agreement, the Patient Support Centre Funding Agreement and the Core Funding Agreement contains a provision that provides for renegotiation, except for facilities costs, if the Board endowed income unrestricted portion of the Endowment Fund [note 7] is reduced to below the Board approved limit and is not expected to be restored within a reasonable period of time.

The Hospital has agreed to indemnify the Foundation and its directors, officers, employees, members and agents against losses arising out of or resulting from the offering of the Series B debentures.

Commitments to the Hospital and other grantees for multi-year commitments in connection with the National Grants Program are as follows:

2024 – \$24.1 million

2025 – \$24.7 million

2026 – \$24.7 million

- [b] The Foundation has standby letters of credit outstanding as at March 31, 2023 of \$0.5 million, \$0.5 million and \$4.3 million, issued on October 18, 2022 and expiring May 8, 2023, June 14, 2023 and May 8, 2023, respectively, in connection with a lottery that was completed March 3, 2023. The Foundation also has standby letters of credit outstanding as at March 31, 2023 of \$4.2 million, \$0.6 million and \$0.5 million, issued on March 24, 2023 and expiring November 16, 2023, December 15, 2023 and November 16, 2023, respectively, in connection with a lottery that is launching in May 2023. The Foundation has a further standby letter of credit outstanding as at March 31, 2023 of \$25,000 expiring November 16, 2023 for a lottery that is ongoing.

#### 16. Financial instruments and risk management

The Foundation is exposed to various financial risks through transactions in financial instruments.

##### Market risk

Market risk is the risk that the fair value or future cash flows of an investment will fluctuate as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. Market risk encompasses a variety of financial risks, such as foreign currency risk, interest rate risk and other price risk. Significant volatility in interest rates, equity values and the fair value of the Canadian dollar against the foreign currencies in which the Foundation's investments are held can significantly impact the value of the investments. The Foundation manages market risk by using various strategies such as diversification and foreign currency hedging to mitigate the risk as set out in its Statement of Investment Policies and Objectives. In addition, investment exposure in various assets and markets is monitored regularly.

## **Notes to consolidated financial statements**

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### *Foreign currency risk*

The Foundation is exposed to foreign currency risk with respect to its investments denominated in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar. The Foundation manages this risk through a foreign currency hedging program as set out in its Statement of Investment Policies and Objectives whereby it hedges its foreign currency exposure up to a maximum of 90% through the use of forward foreign exchange contracts [note 3].

### *Interest rate risk*

Interest rate risk refers to the effect on the fair value or future cash flows of a financial instrument due to fluctuations in interest rates. The Foundation's interest-bearing investments are exposed to interest rate risk. The most significant exposure to interest rate risk is the Foundation's investment in bonds. The bond portfolio has guidelines on duration and concentration, which are designed to mitigate the risk of interest rate volatility.

### *Other price risk*

Other price risk is the risk that the fair value of equity or pooled fund investments will fluctuate because of changes in market prices [other than those arising from foreign currency risk or interest rate risk], whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. The Foundation manages other price risk through diversification as set out in its Statement of Investment Policies and Objectives. In addition, assets and markets are monitored regularly.

### **Credit risk**

Credit risk on financial instruments is the risk of financial loss occurring as a result of default or insolvency of a counterparty on its obligations to the Foundation. The Foundation's investments in debt securities are exposed to credit risk. Credit risk is managed by the Foundation's investment manager whose responsibility it is to regularly monitor credit exposures and follow guidelines on credit quality. The credit quality of financial assets is generally assessed by reference to external credit ratings where available, or to historical information about counterparty default rates.

### **17. Subsequent event**

Subsequent to March 31, 2023, the Hospital and Foundation expressed their intent to enter into a loan agreement where the Foundation would provide a demand loan for \$91 million to the Hospital. This demand loan is expected to be recovered through an issuance of debentures by the Hospital in by fiscal year 2025.