to give

SICKKIDS FOUNDATION
FINANCIAL STATEMENTS
MARCH 31, 2010

SickKids® FOUNDATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of The Hospital for Sick Children Foundation are the responsibility of management. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

The Foundation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable, accurate and complete, in all material respects, and that the Foundation's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee, whose members are appointed by the Board.

The Audit Committee meets with management and the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities. The Audit Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the members in the annual report.

John Francis	Debbie Young
Chair, Audit and Finance Committee	Chief Operating Officer

May 18, 2010.

AUDITORS' REPORT

To the Members of
The Hospital for Sick Children Foundation

We have audited the balance sheet of The Hospital for Sick Children Foundation as at March 31, 2010 and the statement of operations and changes in fund balances for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Corporations Act (Ontario), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Ernst & Young LLP

Toronto, Canada,	Chartered Accountants
May 18, 2010.	Licensed Public Accountants

BALANCE SHEET

as at March 31

(thousands of dollars)	**2010**	2009
ASSETS		
Cash and cash equivalents	**7,850**	17,189
Investments, at market *(note 3)*	**659,318**	467,299
Other assets *(note 4)*	**1,392**	2,440
Capital assets *(note 5)*	**1,658**	2,198
Total assets	**670,218**	489,126
LIABILITIES AND FUND BALANCES		
Liabilities		
Deferred revenues *(note 6)*	**1,791**	3,473
Other liabilities *(note 9)*	**8,248**	6,305
Total liabilities	**10,039**	9,778
Fund Balances		
General Fund	**304**	437
Restricted Fund	**75,045**	65,951
Endowment Fund *(note 7)*	**584,830**	412,960
Total fund balances	**660,179**	479,348
Total liabilities and fund balances	**670,218**	489,126

See accompanying notes

On behalf of the Board

John Francis
Chair, Audit and Finance Committee

Reza Satchu
Member, Audit and Finance Committee

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

year ended March 31 (thousands of dollars)	General Fund		Restricted Fund		Endowment Fund		Total Fund	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Fundraising program revenue *(note 11)*	**41,400**	40,337	**37,574**	33,784	**7,378**	12,442	**86,352**	86,563
Fundraising program expenses *(notes 5, 9, 12 and 13)*	**22,742**	28,793	**2,159**	1,295	**-**	-	**24,901**	30,088
Net fundraising	**18,658**	11,544	**35,415**	32,489	**7,378**	12,442	**61,451**	56,475
Lottery revenue	**16,213**	13,904	**-**	-	**-**	-	**16,213**	13,904
Lottery expenses	**14,686**	11,917	**-**	-	**-**	-	**14,686**	11,917
Net lottery	**1,527**	1,987	**-**	-	**-**	-	**1,527**	1,987
Net fundraising and lottery revenue	**20,185**	13,531	**35,415**	32,489	**7,378**	12,442	**62,978**	58,462
Investment gain (loss) *(notes 3 and 7)*	**63,319**	(20,138)	**14,369**	(2,241)	**95,479**	(36,116)	**173,167**	(58,495)
Net revenue, including investment gain (loss)	**83,504**	(6,607)	**49,784**	30,248	**102,857**	(23,674)	**236,145**	(33)
General fundraising and administrative expense *(notes 5, 9, 12 and 13)*	**2,789**	3,941	**-**	262	**-**	-	**2,789**	4,203
Restructuring expense *(note 15)*	**-**	3,545	**-**	-	**-**	-	**-**	3,545
	2,789	7,486	**-**	262	**-**	-	**2,789**	7,748
Excess (deficiency) of revenue over expenses before grants and charitable activity	**80,715**	(14,093)	**49,784**	29,986	**102,857**	(23,674)	**233,356**	(7,781)
Grants and charitable activity *(notes 5, 9, 12 and 13)*	**15,951**	30,557	**35,929**	33,981	**645**	-	**52,525**	64,538
Excess (deficiency) of revenue over expenses for the year	**64,764**	(44,650)	**13,855**	(3,995)	**102,212**	(23,674)	**180,831**	(72,319)
Fund balances, beginning of year	**437**	232	**65,951**	60,950	**412,960**	490,485	**479,348**	551,667
Interfund transfers *(note 8)*	**(64,897)**	44,855	**(4,761)**	8,996	**69,658**	(53,851)	**-**	-
Fund balances, end of year	**304**	437	**75,045**	65,951	**584,830**	412,960	**660,179**	479,348

See accompanying notes

NOTES TO FINANCIAL STATEMENTS
March 31, 2010

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. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Foundation reflect the assets, liabilities and activities of the Foundation and SickKids Charitable Giving Fund *(note 10)*. All significant transactions between the organizations have been eliminated.

Organizations which are partially or primarily intended to benefit the Foundation which the Foundation does not control, including Friends of SickKids and HealthyKids International US and UK, are not included in these financial statements.

Change in Accounting Policies

Effective April 1, 2009, the Foundation has adopted retroactively those revisions to the 4400 series and certain other sections to amend or improve those parts of the CICA Handbook related to not-for-profit organizations that impact its financial statements. The revisions that have been adopted together with their impact are set out below.

Certain revenues and expenses related to fundraising and lotteries previously presented net on the statement of operations and changes in fund balances with the details in the notes to the financial statements are now presented on a gross basis.

Additional disclosures required as a result of adopting CICA 4470, *Disclosure of Allocated Expenses for Not-for-Profit Organizations*, have also been provided in the accounting policies and note 12.

In February 2009, the Accounting Standards Board amended CICA 1000, *Financial Statement Concepts*, to clarify that assets not meeting the definition of an asset are not permitted to be recognized on the balance sheet. The Foundation has reviewed costs recorded on the balance sheet and determined that no adjustment is required to the financial statements. An accounting policy note has been added with respect to the accounting for future lotteries and special events. In addition, a note has been added to provide the details of other assets and certain amounts on the balance sheet have been reclassified.

Fund Accounting

The Foundation follows the restricted fund method of accounting for contributions. 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 and short-term investments with maturities of less than 90 days at the date of purchase held for operating purposes. Cash and investments meeting the definition of cash and cash equivalents that are held for investing rather than liquidity purposes are classified as investments.

Investments and Investment Income (Loss)

Publicly traded securities are valued based on the latest bid prices and pooled funds are valued based on reported unit values. Short-term securities are valued based on cost plus accrued income, which approximates fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Derivative financial instruments include forward foreign exchange contracts. These contracts are marked to market, with gains and losses recognized in income in the year in which the changes in market value occur.

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 statement of operations and changes in fund balances.

Financial Instruments

The Foundation applies CICA 3861, *Financial Instruments - Disclosure and Presentation* in place of CICA 3862, *Financial Instruments - Disclosures* and CICA 3863, *Financial Instruments - Presentation*.

The Foundation is subject to market risk, foreign currency risk and interest rate price risk with respect to its investment portfolio. To manage these risks, the Foundation has established a target mix of investment types designed to achieve the optimal return within reasonable risk tolerances. In addition, forward foreign exchange contracts are used to manage foreign currency risk.

Other Assets

Costs directly related to the development of future lotteries and special events are presented as other assets when there is a future economic benefit associated with these costs. These costs are expensed over their useful life, which is when the lottery or special event is held. Such costs are expensed immediately when there is insufficient evidence that the costs are recoverable.

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:

Hardware and software	3 years
Furniture and other equipment	3 - 5 years
Leasehold improvements	Term of lease

Revenue Recognition

Unrestricted contributions are recognized as revenue of the General Fund in the year received. Donor restricted contributions for specific purposes are recognized as revenue of the Restricted Fund unless the principal is to be maintained permanently, in which case the contributions are recognized as revenue of the Endowment Fund.

Investment income (loss) on Endowment Fund resources that must be spent on donor restricted activities is recognized in the Restricted Fund. Investment income (loss) subject to donor restrictions stipulating that it be added to the principal amount of the endowment is recognized in the Endowment Fund. Unrestricted investment income is recognized in the General Fund.

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 are deferred.

Grant Recognition

Grants are recognized when payable.

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 at balance sheet date; revenue and expenses at transaction date. Translation gains and losses are recorded in the statement of operations and changes in fund balances.

Contributed Materials and Services

Volunteers contribute a substantial number of hours each year to assist the Foundation in carrying out its fundraising activities. Because of the difficulty in determining their fair value, contributed materials and services are not recognized in the financial statements except for contributions of capital assets that are for the use of the Hospital.

Employee Future Benefit Plans

Contributions to a defined contribution plan are expensed when due.

The Foundation has an obligation to provide supplemental pension benefits to certain former and current employees. A past service cost was created when this obligation was assumed from the Hospital. Since almost all the employees covered by the plan are no longer active, the past service cost is being amortized over the average remaining life expectancy of the former employees.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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.

3. INVESTMENTS

Investments consist of the following:

	2010		2009	
	Market Value ($000s)	%	Market Value ($000s)	%
Short-term investments	123,789	19	115,035	24
Fixed Income				
Government – Canada	28,188	4	53,725	11
Corporate – Canada	35,851	5	17,096	4
Government – U.S	2,954	<1	-	-
Corporate – U.S.	42,271	6	-	-
Mortgages – Canada	719	<1	-	-
Mortgages – Global	305	<1	-	-
Equities				
Canadian	34,122	5	22,669	5
U.S.	94,072	14	63,435	14
Hedge fund	28,105	4	24,473	5
Japanese	21,646	3	21,634	5
European	43,113	7	32,378	7
Global pooled	164,653	25	104,222	22
Other international	38,036	6	17,120	4
Forward foreign exchange contracts	1,494	<1	(4,488)	(1)
	659,318	100	467,299	100

Bond holdings have a weighted average term of 5.55 years (2009 – 8.99 years) to maturity and a weighted average yield of 5.95% (2009 – 3.02%) at March 31, 2010.

In order to manage foreign currency exposure, the Foundation has entered into three forward foreign exchange contracts. These forward foreign exchange contracts with a Canadian chartered bank allow the Foundation to sell US$235 million on June 30, 2010 at an exchange rate of 1.020825, to sell ¥2,350 million on June 30, 2010 at an exchange rate of 90.8800, and to sell €29 million on June 30, 2010 at an exchange rate of 1.3733. The fair market value of these contracts at March 31, 2010 is a gain of $1,494 million (2009 – loss of $4,488 million).

Fees of $3.1 million (2009 - $2.2 million) were paid to investment managers and deducted from investment income.

4. OTHER ASSETS

	2010 ($000s)	2009 ($000s)
Accounts receivable *[note 9]*	722	1,421
Prepaid expenses	169	179
Costs related to		
Future lotteries	179	305
Future special events	322	535
	1,392	2,440

5. CAPITAL ASSETS

	Amortization Period	Cost		Accumulated Amortization		Net Book Value	
		2010	2009	2010	2009	2010	2009
Hardware and software	3 years	1,266	2,423	1,117	2,117	149	306
Leasehold improvements	Term of lease	2,963	2,964	1,598	1,262	1,365	1,702
Furniture and other equipment	3-5 years	383	904	239	714	144	190
Total capital assets		4,612	6,291	2,954	4,093	1,658	2,198

Amortization expense recorded in the accounts is $610,415 [2009 - $695,075]. Capital asset purchases were $70,443 [2009 - $162,014].

6. DEFERRED REVENUES

As of March 31, 2010, $1.8 million (2009 - $3.5 million) in revenue has been received for events and lotteries which are due to occur in 2011. These revenues have been deferred and recorded on the balance sheet. Costs associated with these future events are recognized as other assets (note 4).

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. The Endowment Fund also includes internal resources transferred by the Board of Directors (the "Board") to the Endowment Fund, with the intention that the principal be maintained intact, but may be drawn down to fund operating activities and grants as required.

b) Investment income is allocated among the funds based on the Foundation's Preservation of Capital and Payout 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 a payout rate that is currently 4.5% of the monthly market values of the fund during the year.

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 to the Restricted and General Funds.

The preservation of capital (i.e., any excess investment income earned above the payout rate) 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 or Restricted Fund and transferred to the Endowment Fund in the statement of operations and changes in fund balances.

c) In 2010, investment income of $153.8 million was earned on investments held for endowed funds, of which $131.5 million was allocated for the preservation of capital. Of this amount, $95.5 million related to externally endowed funds was recorded as investment income in the Endowment Fund. Capital preservation of $32.7 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(i)*). Capital preservation of $3.3 million related to Board endowed funds where the income is externally restricted for specific purposes was recorded as income in the Restricted Fund and then transferred to the Endowment Fund (*note 8(i)*). Of the total payout of $22.3 million, $13.6 million was recorded in the General Fund and $8.7 million was recorded in the Restricted Fund. The payout of $0.7 million related to Board endowed internally restricted funds recorded as income in the General Fund was transferred to the Restricted Fund (*note 8(ii)*).

In 2009, there was an investment loss of $58.5 million recorded on the statement of operations and changes in fund balances. The loss on externally endowed funds of $36.1 million was recorded as a reduction of the Endowment Fund. The balance of the loss was recorded as a $2.3 million reduction of the Restricted Fund and a $20.1 million reduction of the General Fund. Transfers were recorded from the Endowment Fund to these two funds to offset these deductions.

In 2009, $16.4 million *(note 8(i))* was recorded as a reduction of the Endowment Fund to fund the investment loss. In addition, $20.7 million was transferred from the Endowment Fund to the General Fund and Restricted Fund *(note 8(ii))* to make funds available for spending in accordance with the Foundation's Preservation of Capital and Payout Policy.

d) The Endowment Fund consists of the following accumulated balances, expressed at market value:

	2010	2009
	($000s)	($000s)
Externally endowed		
Income restricted for specific purposes	**200,642**	145,896
Income unrestricted	**197,631**	149,147
Board endowed		
Income externally restricted for specific purposes	**13,520**	10,410
Income internally restricted for specific purposes	**24,260**	20,262
Income unrestricted	**148,777**	87,245
	584,830	412,960

8. INTERFUND TRANSFERS

Transfers between funds consist of the following:

	General Fund		Restricted Fund		Endowment Fund	
	2010 ($000s)	2009 ($000s)	**2010 ($000s)**	2009 ($000s)	**2010 ($000s)**	2009 ($000s)
i) Preservation of Capital re: Board Endowed Funds	**(32,709)**	15,127	**(3,260)**	1,306	**35,969**	(16,433)
ii) Payout allocation re: Internally Restricted Funds	**(675)**	12,316	**675**	8,423	**-**	(20,739)
iii) Board and donor approved re: fund designations	**(513)**	(588)	**(2,176)**	(733)	**2,689**	1,321
iv) Surplus in General Fund	**(31,000)**	18,000	**-**	-	**31,000**	(18,000)
	(64,897)	44,855	**(4,761)**	8,996	**69,658**	(53,851)

Interfund Transfer for Board and Donor Approved Fund Designations *(iii)*

The Board approved net transfers of $0.5 million from the General Fund and $2.2 million from the Restricted Fund for a total amount transferred to the Endowment Fund of $2.7 million in 2010 (2009 - net transfers of $1.3 million to the Endowment Fund).

Interfund Transfer to Fund Deficit in General Fund *(iv)*

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 2010, $31.0 million in interfund transfers were recorded from the General Fund to the Board endowed unrestricted fund. In 2009, $18.0 million in interfund transfers from the Board endowed unrestricted fund to the General Fund were required.

9. THE HOSPITAL FOR SICK CHILDREN

The Hospital is a Canadian public hospital and an independent corporation which 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 $47.9 million (2009 - $60.4 million) to the Hospital for research, education, capital and other projects.

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 a fee of $0.3 million (2009 – $1.3 million) in connection with Hospital leased space occupied by the Foundation and the reimbursement to the Hospital of $69,000 (2009 - $68,000) related to participation of current and former employees of the Foundation in the supplemental pension plan. As at March 31, 2010, the Foundation has a balance payable to the Hospital of $2.9 million (2009 - $1.4 million) included in other liabilities.

As at March 31, 2010, the Foundation had a balance receivable from the Hospital of $400,000 (2009 - $807,000) included in other assets (*note 4)*.

10. SICKKIDS CHARITABLE GIVING FUND

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 SickKids Foundation and other registered Canadian charities.

The Foundation is responsible for fundraising and investment management activities carried out on behalf of SKCGF. The investments of SKCGF are pooled together with the investments of the Foundation. The Foundation also pays all expenses on behalf of SKCGF. In return, the Foundation receives an annual management fee of 1% of the value of SKCGF's funds.

11. GROSS FUNDRAISING PROGRAMS REVENUE

	General Fund		Restricted Fund		Endowment Fund		Total Fund	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Community involvement	**2,472**	2,802	**9,702**	8,906	**720**	2,048	**12,894**	13,756
Corporate partnerships	**8,782**	7,203	**6,640**	7,233	**932**	1,512	**16,354**	15,948
Annual giving	**23,550**	23,460	**1,478**	1,200	**85**	118	**25,113**	24,778
Individual giving	**6,596**	6,872	**15,553**	16,445	**5,641**	8,764	**27,790**	32,081
Brazilian Ball	**-**	-	**4,201**	-	**-**	-	**4,201**	-
Gross fundraising revenue	**41,400**	40,337	**37,574**	33,784	**7,378**	12,442	**86,352**	86,563

12. ALLOCATION OF EXPENSES

General support expenses of $8.9 million (2009 - $11.2 million) have been allocated as follows:

	Direct expenses		Allocated expenses		Total expenses	
	2010	2009	**2010**	2009	**2010**	2009
Fundraising program expenses	**16,258**	19,313	**8,643**	10,775	**24,901**	30,088
Grants and charitable activity	**52,269**	64,065	**256**	473	**52,525**	64,538

13. EMPLOYEE FUTURE BENEFITS

a) 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. Historically, these pension obligations were recognized in the Hospital's financial statements. In 2010, the Foundation assumed responsibility for the portion of the Supplemental Plan related to the current and former employees of the Foundation. As a result, the Foundation assumed a liability equal, as at March 31, 2010, to $67,000 related to current employees and $1.6 million related to former employees. An amount of $69,000 related to this liability, which is net of the unamortized past service cost of $1.5 million, has been included in other liabilities. An expense of $136,000 related to the liability assumed by the Foundation has been recorded in the statement of operations and changes in fund balances. The discount rate used in measuring the Foundation's liability and expense was 6.25%.

b) The Foundation recorded an expense of $0.2 million in the statement of operations and changes in fund balances in connection with contributions to a defined contribution plan.

14. COMMITMENTS AND CONTINGENCIES

a) Concurrent with the issuance of $200 million Series A Senior Unsecured Debentures (the "Debentures"), the Hospital entered into two funding agreements with the Foundation, the Research Tower Funding Agreement and the Core Funding Agreement.

The Research Tower Funding Agreement provides that the Foundation will conduct a capital fundraising campaign in respect of the Research & Learning Tower and will provide, on a best efforts basis, certain grants to the Hospital in respect of the Research & Learning Tower. In general, the Foundation's grants under the Research Tower Funding Agreement will take precedence over any other commitments of the Foundation to the Hospital. The Hospital intends to use a portion of the grants toward the design and construction costs of the Research & Learning Tower and a portion to support the Hospital's interest and principal obligations related to the Debentures. Subject to certain provisions for termination, the Research Tower Funding Agreement will remain in effect for as long as any Debentures are outstanding.

The Core Funding Agreement, effective April 1, 2009, 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 intended to be equivalent to the operating and maintenance costs of the Research & Learning Tower.

Each of the Research Tower Funding Agreement and the Core Funding Agreement contains a provision which provides for mandatory renegotiation if the Board endowed income unrestricted portion of the Endowment Fund *(note 7)* is reduced to $70 million or less.

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 Debentures.

Commitments to the Hospital for 2011 and multi-year commitments for the National Grants Program are as follows:

2011	$33.9 million
2012	$ 1.3 million
2013	$ 0.6 million
2014	$ 0.4 million

Because the payments due to the Hospital under the aforementioned agreements are contingent on future events, payments beyond 2011 cannot be reasonably estimated and have therefore not been included in the above amounts.

b) The Foundation has standby letters of credit outstanding at March 31, 2010 in the amounts of:
   i. $3.7 million issued on November 19, 2009 and expiring on May 10, 2010 issued in connection with a lottery that was completed in March 2010
   ii. $2.6 million, issued on March 2, 2010 and expiring on August 23, 2010 in connection with a lottery to be completed in July 2010

c) As at March 31, 2010, there is a claim outstanding against the Foundation that arose in the ordinary course of business. It is management's position that the Foundation has a valid defense against the claim. In the unlikely event the claim is successful, it is not expected to have a material effect on the Foundation's financial position.

15. RESTRUCTURING

In 2009, the Foundation incurred costs associated with the re-organization of its activities including severances and other associated costs totaling $3.5 million.

16. STATEMENT OF CASH FLOWS

A separate statement of cash flows is not presented since cash flows from operating, investing and financing activities are readily apparent from the other financial statements.

17. CAPITAL MANAGEMENT

In managing capital, the Foundation focuses on liquid resources available for operations. The Foundation's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at March 31, 2010, the Foundation has met its objective of having sufficient liquid resources to meet its current obligations.

18. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified to conform to the revised presentation of the 2010 financial statements.