



## **Management Discussion and Analysis**

For the year ended March 31, 2009

*The following comments should be read in conjunction with the financial statements included in this report. All amounts are based on audited financial statements prepared in accordance with Canadian generally accepted accounting principles (GAAP) except portfolio returns which are based on performance reporting methodology. The Hospital for Sick Children Foundation (“SickKids Foundation”) was established in 1972 as an Ontario Non-Share Capital Corporation. On March 5, 1973, SickKids Foundation obtained its charitable status as it was registered as a Public Foundation under the Income Tax Act. In the 37 years since it was established, the Foundation, through community support, has generated \$1 billion towards children’s health research, education and care through the combined total of its endowment fund, grants to The Hospital for Sick Children and national grants.*

### **SickKids Foundation**

SickKids Foundation’s fundraising is driven by our belief that improving the health and well-being of children is one of the most powerful ways to improve society. In addition, the Foundation believes that our role in improving children’s health is to inspire our communities to share their resources to advance the research and clinical priorities of the Hospital for Sick Children and other selected programs identified by our Grants Advisory Committee. In the long-term, we believe that following our vision and fulfilling our mission will have a profoundly positive impact on the future of our world.

Next to government, SickKids Foundation is Canada’s largest funding agency in child health research, education and care.

The Foundation ranks as the country’s fourth largest foundation by total assets, and third largest in grant making out of 2,887 foundations (community, corporate, family, government, service club and special purpose as listed in Imagine Canada - Canadian Directory to Foundations and Corporations as at May 2009).

In October, 2008, after four years of fundraising revenue growth averaging 22 per cent per year, Management recognized that another year of high growth fundraising would not be achievable. The economy’s downturn was impacting the Foundation’s investment revenue and the rate of fundraising growth was expected to slow. As a result, the Foundation undertook significant restructuring that included detailed vendor reviews, expense and staff reductions at all levels and in all areas of the Foundation. Restructuring costs of \$3.5 million including severances and related costs are included in the annual Statement of Operations and Changes in Fund Balances for the fiscal year ended March 31, 2009.

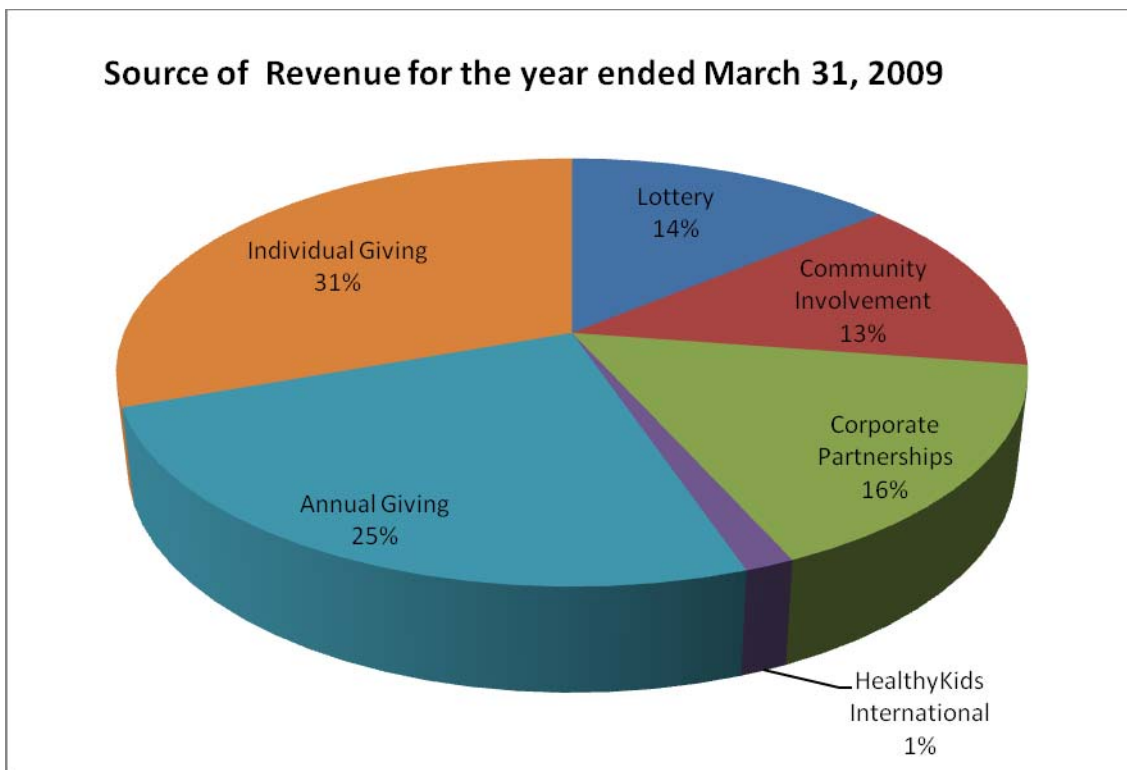
Costs incurred to run the Foundation which are not attributable to any particular fundraising program are identified as General Fundraising and Administrative Expenses. The General Fundraising and Administrative Expenses totaled \$6.7 million for the fiscal year ended March 31, 2009 (2008 - \$7.3 million).

## New Financial Reporting

To be more transparent and accountable to our donors, SickKids Foundation changed its financial reporting for the fiscal year ending March 31, 2009. The new disclosure format provides greater detail and analysis on the costs of our fundraising programs and on the costs of operating the Foundation's three core activities: fundraising, investing and granting.

## Fundraising

Philanthropy is a critical source of funding for The Hospital for Sick Children that is separate and distinct from government and granting agencies. For the fiscal year ending March 31, 2009, SickKids Foundation generated \$60.9 million in net fundraising and lottery revenue (2008 - \$72.7 million) and made an investment of \$64.4 million in children's health care (2008 - \$67.2 million) through granting and charitable activity. A direct result of community support, this is the largest charitable investment in paediatric health care and one of the largest charitable contributions to a hospital anywhere in Canada.



The Foundation has 300,000 donors, representing the second largest donor base for a children's hospital in North America. The Foundation is generously supported by the community through direct marketing responses, leadership giving, corporate and workplace programs, community events and lottery participation. HealthyKids International is a new initiative which began over a year ago, supporting the global child health programs at SickKids.

Fundraising costs vary by program. For the year ended March 31, 2009 fundraising program costs were \$27.3 million (2008 - \$25.3 million) or \$0.32 (2008 - \$0.26) per dollar raised. As stated previously, the Foundation restructured its operations mid-year to re-align to a more affordable go forward financial model.

Net fundraising revenue after program costs generated \$58.9 million (2008 - \$70.3 million). In addition, two lotteries were conducted during the year, generating additional net revenue of \$2.0 million (2008 - \$2.4 million). For the year ended March 31, 2009 lottery revenues were \$13.9 million (2008 - \$13.9 million) and expenditures were \$11.9 million (2008 - \$11.5 million).

## **Investing**

SickKids Foundation has the largest endowment of any hospital in Canada. The Endowment Fund consists of externally restricted contributions, where the endowed capital is required to be maintained intact, and internal resources, transferred by the Board of Directors with the intention of maintaining the capital intact but available to draw down to fund activities and grants as required, including funding of general fundraising and administration expenses. Together, these Endowed funds at market value totaled \$413.0 million as at March 31, 2009, compared to \$490.5 million as at March 31, 2008. During the fiscal year ended March 31, 2009 \$13.7 million of fundraising revenue was endowed, \$52.5 million was recorded in investment losses, \$20.7 million was distributed out of the fund in accordance with Board Policy, and \$18 million was transferred from the board endowed funds to fund the general fund deficit.

The investment philosophy currently selected by the Foundation's Investment Committee and approved by the Board is the long-term, value-oriented approach. The objectives of the Investment Committee are to preserve the endowed capital, to attain an average real total return on investments (net of investment management fees) of at least 5 per cent over the long term, to support along with other funding sources the charitable granting, and to allow for the distribution of endowment funds based on the decided upon disbursement rate, currently set at 4.5 percent of the monthly market values of the fund during the year.

As at March 31, 2009 the five year investment fund return was 3.8 percent, the one year return was (9.8) percent. The average annual return since 1995, the year the investment fund was formed, is 9.7 percent. Fund returns are consistently ranked in the top quartile within an endowment/foundation universe of similar organizations.

Investment losses for the year ended March 31, 2009 were \$58.5 million, a significant drop from the prior year losses of \$1.4 million.

## **Granting**

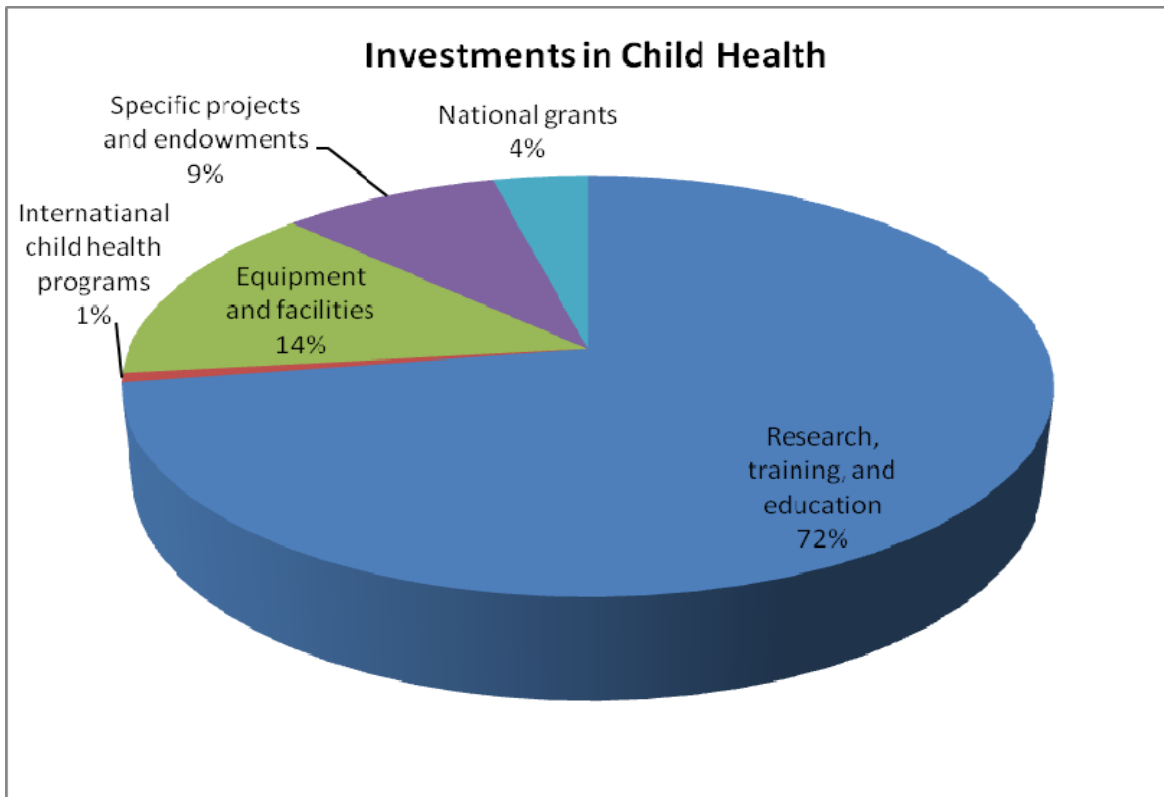
The vision for healthier children and a better world will be achieved through the outcome of the funds granted by the Foundation to The Hospital for Sick Children, to the recipients of the National Grants Program and to HealthyKids International. Since inception, the Foundation has granted over \$750 million to child health research, education and care.

The Foundation provides an annual grant to the Hospital to cover research staff and related costs at the SickKids Research Institute. This critical base funding supports the work of the Hospital's integrated model of research, education and clinical care.

In addition, SickKids Foundation funds priorities identified by the Hospital, including clinical and capital projects, funding for approximately 25 endowed chair positions and a specified list of medical equipment.

SickKids Foundation is the only hospital foundation with a national program that offers research grants and educational awards to paediatric researchers across the country. Through its Grants Advisory Committee, the Foundation has directed more than \$70 million to researchers across the country since the program was founded 37 years ago. The objective of the National Grants program is to strengthen Canada's knowledge and capacity to respond to children's health challenges and needs.

Although Net Revenue and Expenses before granting was (\$7.9) million for the fiscal year (2008 - \$63.9 million), the Foundation transferred \$72.3 million (2008 - \$3.3 million) from its funds balances to cover its granting obligations.



In the fiscal year ended March 31, 2009, SickKids Foundation made an investment of \$64.4 million in child health research, education and care (2008 - \$67.2 million), including \$60.4 million to critical initiatives at The Hospital for Sick Children. (2008 - \$63.8) A direct result of community support, this is the largest charitable investment in paediatric health care and one of the largest charitable contributions to a hospital anywhere in Canada.

#### **Imagine Canada Ethical Code Program**

SickKids Foundation is a proud adherent of the Imagine Canada Ethical Code Program. Our employees adhere to professional codes of conduct including those of the Association of Fundraising Professionals, The Canadian Institute of Chartered Accountants and the Law Society of Ontario.

Excerpts from the audited financial statements are included in this report. A complete copy of the financial statements is available through Public Affairs and/or electronically on the Foundation website: [www.sickkidsfoundation.com](http://www.sickkidsfoundation.com).

For more information, please contact  
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 (416)813-8518

**SickKids Foundation**  
**Statement of Operations and Changes in Fund Balances**  
For the year ended March 31, 2009 (\$000s)

	2009	2008
<b>Fundraising revenue</b>		
Community Involvement	13,534	11,923
Corporate Partnerships	15,941	19,237
Annual Giving	24,745	24,397
Individual Giving	30,468	39,861
HealthyKids International	1,484	222
<b>Total fundraising revenue</b>	86,172	95,640
Less program costs	27,271	25,314
<b>Net fundraising revenue</b>	58,901	70,326
<b>Lottery revenue</b>	13,904	13,894
Less lottery expenditures	11,917	11,515
<b>Net lottery revenue</b>	1,987	2,379
<b>Total net revenue</b>	60,888	72,705
<b>Investment loss</b>	(58,495)	(1,443)
<b>Expenses</b>		
General fundraising and administrative expenses	6,734	7,279
Restructuring costs	3,545	-
	10,279	7,279
General fundraising and administrative expenses as % of total fundraising revenue	7.8%	7.6%
<b>Net of revenues and expenses before granting</b>	<b>(7,886)</b>	<b>63,983</b>
<b>Grants</b>		
Research, training, and education	46,188	50,814
Equipment and facilities	8,911	6,476
Health information and special programs	386	990
Specific projects and endowments	5,713	5,061
National grants	2,492	3,140
International child health programs	464	332
Charitable activity	279	425
<b>Total grants</b>	<b>64,433</b>	<b>67,238</b>
<b>(Deficiency) of revenue over expenses and grants</b>	<b><u>(72,319)</u></b>	<b><u>(3,255)</u></b>
<b>Fund balances</b>		
Endowment	412,960	490,485
Restricted	65,951	60,950
General	437	232
<b>Total fund balances</b>	<b><u>479,348</u></b>	<b><u>551,667</u></b>