

**Financial
Statements**
March 31, 2015

**TOGETHER
WE WILL**

SickKids[®]
FOUNDATION

INDEPENDENT AUDITORS' REPORT

To the Members of
The Hospital for Sick Children Foundation

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **The Hospital for Sick Children Foundation**, which comprise the balance sheet as at March 31, 2015, and the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

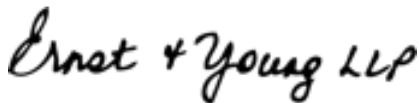
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of **The Hospital for Sick Children Foundation** as at March 31, 2015 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.

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.

The logo for Ernst & Young LLP is written in a cursive, handwritten style.

Chartered Professional Accountants
Licensed Public Accountants

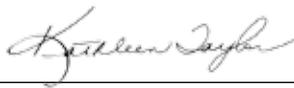
Toronto, Canada
June 17, 2015

BALANCE SHEET

As at March 31
(thousands of dollars)

	2015	2014
ASSETS		
Cash and cash equivalents	11,678	12,207
Investments, at market (note 3)	1,080,973	934,174
Other assets (note 4)	9,458	13,675
Capital assets (note 5)	1,523	1,926
Total assets	1,103,632	961,982
LIABILITIES AND FUND BALANCES		
Liabilities		
Deferred revenues (note 6)	372	363
Other liabilities (notes 9 and 14)	28,577	12,747
Total liabilities	28,949	13,110
<i>Commitments and contingencies (notes 9 and 15)</i>		
FUND BALANCES		
General Fund	222	225
Restricted Fund	115,118	107,666
Endowment Fund (note 7)	959,343	840,981
Total fund balances	1,074,683	948,872
Total liabilities and fund balances	1,103,632	961,982

On behalf of the Board:



Kathleen Taylor
Chair, Board of Directors



Sonia Baxendale
Chair, 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 FUNDS	
	2015	2014	2015	2014	2015	2014	2015	2014
Fundraising programs (note 11)	55,565	48,199	57,730	59,196	17,998	14,640	131,293	122,035
Fundraising program costs (notes 12 and 14)	28,656	28,463	2,117	2,040	–	–	30,773	30,503
Net fundraising	26,909	19,736	55,613	57,156	17,998	14,640	100,520	91,532
Lottery (note 13)	23,148	11,954	–	–	–	–	23,148	11,954
Lottery costs (note 13)	19,852	9,756	–	–	–	–	19,852	9,756
Net lottery	3,296	2,198	–	–	–	–	3,296	2,198
Parking (note 9)	–	–	6,724	6,843	–	–	6,724	6,843
Parking costs (note 9)	–	–	5,336	5,096	–	–	5,336	5,096
Net parking	–	–	1,388	1,747	–	–	1,388	1,747
Total net revenue	30,205	21,934	57,001	58,903	17,998	14,640	105,204	95,477
Investment income (notes 3 and 7)	60,184	44,467	22,667	14,101	51,447	19,780	134,298	78,348
Other income (expense) (notes 4 and 9)	449	9,949	–	(8,145)	–	–	449	1,804
Net revenue, including investment and other income	90,838	76,350	79,668	64,859	69,445	34,420	239,951	175,629
Expenses (notes 9, 12 and 14)								
General fundraising and administrative	5,747	5,243	34	6	–	–	5,781	5,249
Excess of revenue over expenses before grants and charitable activity	85,091	71,107	79,634	64,853	69,445	34,420	234,170	170,380
Grants and charitable activity (notes 9, 12 and 14)	54,715	39,335	53,644	90,001	–	–	108,359	129,336
Excess of revenue over expenses for the year	30,376	31,772	25,990	(25,148)	69,445	34,420	125,811	41,044
Fund balances, beginning of year	225	276	107,666	172,672	840,981	734,880	948,872	907,828
Interfund transfers (note 8)	(30,379)	(31,823)	(18,538)	(39,858)	48,917	71,681	–	–
Fund balances, end of year	222	225	115,118	107,666	959,343	840,981	1,074,683	948,872

See accompanying notes

STATEMENT OF CASH FLOWS

Year ended March 31

(thousands of dollars)

	2015	2014
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	125,811	41,044
Items not involving cash		
Amortization of capital assets	1,333	791
Write down of other assets	-	8,147
Net changes in non-cash working capital balances related to operations		
Other assets	4,217	(4,120)
Deferred revenues	9	55
Other liabilities	15,830	(17,006)
Reinvested investment income	(134,298)	(78,348)
Cash provided by (used in) operating activities	12,902	(49,437)
INVESTING ACTIVITIES		
(Contributions to) withdrawals from externally managed investments	(12,501)	57,038
Additions to capital assets	(930)	(969)
Cash (used in) provided by investing activities	(13,431)	56,069
Net (decrease) increase in cash and cash equivalents during the year	(529)	6,632
Cash and cash equivalents, beginning of year	12,207	5,575
Cash and cash equivalents, end of year	11,678	12,207

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

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

These financial statements are prepared in accordance with Part III of the Chartered Professional Accountants of Canada ("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 financial statements of the Foundation reflect the assets, liabilities and activities of the Foundation and any controlled not-for-profit organizations, including 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 Healthy Kids International US and UK, are not included in these financial statements.

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 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 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.

Other financial instruments, including the interest in an irrevocable charitable trust, 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

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

Intangible

Software	3 - 6 years
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REVENUE RECOGNITION

The Foundation follows the restricted fund method of accounting for contributions. Contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions are recorded in the accounts when there is an enforceable right to the underlying asset which can be reliably valued. 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 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. 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. Unrestricted investment income (loss) 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 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 at the balance sheet date and revenue and expenses at the transaction date. Translation gains and losses are recorded in the 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 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 financial statements.

EMPLOYEE FUTURE BENEFIT PLANS

Contributions to a defined contribution plans 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 balance sheet. Actuarial gains and losses and past service costs, if any, are recorded differently 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.

3. INVESTMENTS

Investments consist of the following:

	2015	%	2014	%
	(\$000's)		(\$000's)	
Short-term investments	208,427	19	194,686	21
Fixed income				
Government – Canada	81,669	8	71,568	8
Corporate – Canada	52,682	5	43,920	5
Government – U.S.	246,317	23	187,648	20
Corporate – U.S.	–		2,302	<1
Mortgages – Global	584	<1	173	<1
Equities				
Canadian	30,036	3	28,432	3
U.S.	79,298	7	80,649	9
Hedge fund	26,466	2	22,029	2
Japanese	18,522	2	16,201	2
European	45,430	4	30,995	3
Global pooled	234,314	22	205,486	22
Other international	54,558	5	48,995	5
Forward foreign exchange contracts	2,670	<1	1,090	<1
	1,080,973	100	934,174	100

As at March 31, 2015, bond holdings have a weighted average term of 21.58 years (2014 – 12.18 years) to maturity and a weighted average yield of 2.39% (2014 - 2.56%).

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\$230 million on June 19, 2015 at an exchange rate of 1.28095, to sell ¥3,000 million on June 19, 2015 at an exchange rate of 94.7325, and to sell €26.0 million on June 19, 2015 at an exchange rate of 1.35510. The fair market value of these contracts at March 31, 2015 is a gain of \$2.7 million (2014 – gain of \$1.09 million).

Fees of \$3.9 million (2014 – \$3.4 million) were paid to investment managers and deducted from investment income.

4. OTHER ASSETS

	2015 (\$000's)	2014 (\$000's)
Accounts receivable (note 9)	5,827	10,673
Prepaid expenses	700	452
Life insurance policy	2,794	2,415
Miscellaneous	137	135
	9,458	13,675

During 2011, the Foundation was named as a beneficiary of an irrevocable charitable trust administered by a third party, which has been established by a donor to provide a prescribed series of payments to designated beneficiaries. During fiscal 2014, the Foundation determined that there was a significant uncertainty with respect to the realization of these payments. As a result, the asset was significantly written down. The life insurance policy represents the discounted present value of the proceeds of a policy owned by the Foundation.

5. CAPITAL ASSETS

	COST		ACCUMULATED AMORTIZATION		NET BOOK VALUE	
	2015 (\$000's)	2014 (\$000's)	2015 (\$000's)	2014 (\$000's)	2015 (\$000's)	2014 (\$000's)
Tangible						
Hardware	2,314	1,598	1,884	1,099	430	499
Leasehold improvements	3,175	3,175	3,049	2,881	126	294
Furniture and other equipment	712	542	547	498	165	44
Intangible						
Software	2,358	2,314	1,556	1,225	802	1,089
Total capital assets	8,559	7,629	7,036	5,703	1,523	1,926

6. DEFERRED REVENUES

As at March 31, 2015, \$0.4 million (2014 - \$0.4 million) in revenue has been received for events and lotteries which are due to occur in 2015. These revenues have been deferred and recorded on the balance sheet.

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 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 a payout amount based on 5% of fund balances, of which 0.5% 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 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 2015, investment income of \$118.4 million (2014 - \$64.1 million) was earned on investments held for endowed funds of which \$77.9 million (2014 - \$28.8 million) was allocated for the preservation of capital. Of this amount, \$51.4 million (2014 - \$19.8 million) related to externally endowed funds was recorded as investment income in the Endowment Fund. Capital preservation of \$20.3 million (2014 - \$8.1 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 \$6.2 million (2014 - \$1.0 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 \$40.5 million (2014 - \$35.3 million), \$24.0 million (2014 - \$22.2 million) was recorded in the General Fund and \$16.5 million (2014 - \$13.1 million) was recorded in the Restricted Fund. The payout of \$3.2 million (2014 - \$3.0 million) related to Board endowed internally restricted funds recorded as income in the General Fund was transferred to the Restricted Fund (note 8 (ii)).
- d) The Endowment Fund consists of the following accumulated balances:

	2015	2014
	(\$000's)	(\$000's)
Externally endowed		
Income restricted for specific purposes	354,734	299,907
Income unrestricted	264,039	239,990
Board endowed		
Income externally restricted for specific purposes	88,226	66,683
Income internally restricted for specific purposes	93,873	82,044
Income unrestricted	158,471	152,357
	959,343	840,981

8. INTERFUND TRANSFERS

Transfers between funds consist of the following:

	GENERAL FUND		RESTRICTED FUND		ENDOWMENT FUND	
	2015 (\$000's)	2014 (\$000's)	2015 (\$000's)	2014 (\$000's)	2015 (\$000's)	2014 (\$000's)
i) Preservation of capital re: Board Endowed Funds (note 7(c))	(20,263)	(8,111)	(6,227)	(933)	26,490	9,044
ii) Payout allocation re: Internally Restricted Funds (note 7(c))	(3,248)	(3,018)	3,248	3,018	–	–
iii) Board and donor approved re: fund designations (see below)	(6,218)	(694)	(15,559)	(41,943)	21,777	42,637
iv) Surplus in General Fund (see below)	(650)	(20,000)	–	–	650	20,000
	(30,379)	(31,823)	(18,538)	(39,858)	48,917	71,681

INTERFUND TRANSFER FOR BOARD AND DONOR APPROVED FUND DESIGNATIONS (III)

In 2015, the Board approved net transfers from the General Fund of \$6.2 million and from the Restricted Fund of \$15.6 million to the Endowment Fund. In 2014, the Board approved net transfers from the General Fund of \$0.7 million and from the Restricted Fund of \$41.9 million to the Endowment Fund.

TRANSFER OF EXCESS FROM THE 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 2015, \$650 thousand in interfund transfers were recorded from the General Fund to the Board endowed unrestricted fund. In 2014, \$20.0 million in interfund transfers were recorded from the General Fund to the Board endowed unrestricted fund.

9. THE HOSPITAL FOR SICK CHILDREN

- a) 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 \$103.5 million (2014 - \$125.1 million) to the Hospital for various purposes including research, education, capital and debenture operating expense.
- 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 except for office space and related expenses which are provided at no cost in fiscal 2014 and 2015. In addition, the Foundation paid the Hospital \$78,668 (2014 - \$78,121) related to participation of current and former employees of the Foundation in the supplemental pension plan (note 14).
- c) As at March 31, 2015, the Foundation had a balance payable to the Hospital of \$24.1 million (2014 - \$7.3 million). This amount includes \$2.4 million (2014 - \$2.4 million) related to the accrued benefits obligation and is included in other liabilities (note 14). In addition, there is a balance receivable from the Hospital of \$0.7 million (2014 - \$6.1 million) included in other assets (note 4). 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 \$4.2 million (2014 - \$4.1 million) in lease expense to the Hospital and \$1.1 million (2014 - \$1.0 million) in management fees.
- e) During fiscal 2014, the Hospital transferred \$9.9 million to the Foundation that is recorded as other income in the General Fund.

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 of \$2.0 million (2014 - \$1.0 million) 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 invested funds which amounted to \$20,000 (2014 - \$10,000).

11. GROSS FUNDRAISING PROGRAMS REVENUE

	GENERAL FUND		RESTRICTED FUND		ENDOWMENT FUND		TOTAL FUND	
	2015 (\$000's)	2014 (\$000's)	2015 (\$000's)	2014 (\$000's)	2015 (\$000's)	2014 (\$000's)	2015 (\$000's)	2014 (\$000's)
Events	4,487	3,209	11,630	12,694	594	671	16,711	16,574
Corporate partnerships	13,561	11,793	10,001	10,488	1,185	1,458	24,747	23,739
Direct marketing	26,782	25,187	1,328	1,719	66	53	28,176	26,959
Individual giving	10,735	8,010	34,771	34,295	16,153	12,458	61,659	54,763
Gross fundraising revenue	55,565	48,199	57,730	59,196	17,998	14,640	131,293	122,035

Effective April 1, 2011, pursuant to the Foundation Philanthropy Policy, 5% of all new restricted and endowed gifts not exceeding \$5.0 million is allocated to the General Fund. In 2015, \$2.6 million (2014 - \$2.2 million) of fundraising for restricted purposes and \$0.3 million (2014 - \$0.5 million) of fundraising for endowed purposes were allocated to the General Fund.

12. ALLOCATION OF EXPENSES

General support costs of \$11.7 million (2014 - \$11.5 million) have been allocated as follows:

	DIRECT COSTS		ALLOCATED COSTS		TOTAL COSTS	
	2015 (\$000's)	2014 (\$000's)	2015 (\$000's)	2014 (\$000's)	2015 (\$000's)	2014 (\$000's)
Fundraising program costs	19,362	19,388	11,411	11,115	30,773	30,503
Grants and charitable activity	108,029	128,995	330	341	108,359	129,336

13. LOTTERIES

During the years ended March 31, 2015 and 2014, the Foundation held two lotteries. Financial results included in the statement of operations and changes in fund balances are as follows:

	2015 (\$000's)	2014 (\$000's)
Revenue		
Ticket sales	22,872	11,788
Other	276	166
	23,148	11,954
Costs		
Prizes	7,660	4,414
Other direct	11,733	4,929
Indirect	459	413
	19,852	9,756
Net lottery proceeds	3,296	2,198

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 December 31, 2012.

As at March 31, 2015, other liabilities include \$2.4 million (2014 - \$2.4 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) 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 Peter Gilgan Centre for Research and Learning and will provide, on a best efforts basis, certain grants to the Hospital in respect of the Peter Gilgan Centre for Research and Learning. 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 used a portion of the grants toward the design and construction costs of the Peter Gilgan Centre for Research and Learning and intends to use 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, on a best efforts basis, make grants to the Hospital with respect to the 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 Peter Gilgan Centre for Research and Learning.

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 and other grantees for 2015 and multi-year commitments in connection with the National Grants Program are as follows:

2016 – \$ 35.2 million

2017 – \$ 4.7 million

2018 – \$ 4.4 million

- b) The Foundation has standby letters of credit outstanding at March 31, 2015 of \$0.3 million and \$5.2 million, issued on October 1, 2014 and October 3, 2014, respectively and expiring on May 11, 2015, issued in connection with a lottery that was completed in March 2015. The Foundation also has letters of credit outstanding at March 31, 2015 of \$0.2 million, \$0.3 million and \$8.1 million, issued on March 9, 2015 and expiring December 11, 2015 issued in connection with a lottery that will be completed October 2015.
- c) As at March 31, 2015, there is one 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.

16. FINANCIAL INSTRUMENTS

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

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 by entering into forward foreign exchange contracts (note 3).

CREDIT RISK

The Foundation is exposed to credit risk in connection with its short-term and fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

INTEREST RATE RISK

The Foundation is exposed to interest rate risk with respect to its investments in fixed income investments and a pooled fund that holds fixed income securities because the fair value will fluctuate due to changes in market interest rates.

OTHER PRICE RISK

The Foundation is exposed to other price risk through changes in market prices (other than changes arising from interest rate or currency risks) in connection with its investments in equity securities and pooled funds.



About SickKids

Healthier Children. A Better World.™ is a vision everyone at SickKids shares. And it will continue to guide us as we look to the future of SickKids. By working together and with our partners in the community, we can lead transformational change that will improve the lives of children everywhere and create a better world for all of us.

