



SickKids[®]
FOUNDATION

FINANCIAL STATEMENTS

MARCH 31, 2021



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, 2021, and the consolidated statements 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, 2021, 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 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:

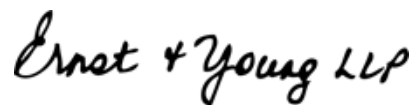
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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.

Toronto, Canada
June 10, 2021

The signature of Ernst & Young LLP is written in a cursive, handwritten style in black ink.

Chartered Professional Accountants
Licensed Public Accountants

CONSOLIDATED BALANCE SHEET

As at March 31
(thousands of dollars)

	2021	2020
	\$	\$
ASSETS		
Cash and cash equivalents	14,951	11,101
Investments, at market (note 3)	1,325,936	1,015,672
Other assets (note 4)	17,395	12,634
Capital assets (note 5)	1,641	1,884
Total assets	1,359,923	1,041,291
LIABILITIES AND FUND BALANCES		
Liabilities		
Deferred revenue (note 6)	2,485	727
Other liabilities (notes 9 and 14)	14,160	20,161
Total liabilities	16,645	20,888
<i>Commitments and contingencies (notes 9 and 15)</i>		
Fund balances		
General Fund	772	558
Restricted Fund	252,082	213,043
Endowment Fund (note 7)	1,090,424	806,802
Total fund balances	1,343,278	1,020,403
Total liabilities and fund balances	1,359,923	1,041,291

See accompanying notes

On behalf of the Board:



Sonia Baxendale
Chair, Board of Directors



Derek Neldner
Chair, Audit and Finance Committee

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

Year ended March 31
(thousands of dollars)

	General Fund		Restricted Fund		Endowment Fund		Total Funds	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Fundraising programs (note 11)	80,829	100,477	81,362	81,234	6,995	9,187	169,186	190,898
Fundraising program costs (notes 12 and 14)	39,405	43,957	2,484	3,107	—	—	41,889	47,064
Net fundraising	41,424	56,520	78,878	78,127	6,995	9,187	127,297	143,834
Lottery (note 13)	11,374	16,034	—	—	—	—	11,374	16,034
Lottery costs (note 13)	8,445	12,278	—	—	—	—	8,445	12,278
Net lottery	2,929	3,756	—	—	—	—	2,929	3,756
Parking (note 9)	—	34	5,931	6,747	—	—	5,931	6,781
Parking costs (note 9)	—	—	5,783	5,621	—	—	5,783	5,621
Net parking	—	34	148	1,126	—	—	148	1,160
Total net revenue	44,353	60,310	79,026	79,253	6,995	9,187	130,374	148,750
Investment income (loss) (notes 3 and 7)	123,871	(79,884)	34,598	—	123,956	(80,716)	282,425	(160,600)
Other income	3,327	483	193	—	—	—	3,520	483
Net revenue (loss), including investment income (loss) and other income	171,551	(19,091)	113,817	79,253	130,951	(71,529)	416,319	(11,367)
Expenses (notes 9, 12 and 14)								
General fundraising and administrative	8,589	7,073	3	116	—	—	8,592	7,189
Excess (deficiency) of revenue over expenses before grants and charitable activity	162,962	(26,164)	113,814	79,137	130,951	(71,529)	407,727	(18,556)
Grants and charitable activity (notes 9, 12 and 14)	20,230	53,852	64,622	91,041	—	29	84,852	144,922
Excess (deficiency) of revenue over expenses for the year	142,732	(80,016)	49,192	(11,904)	130,951	(71,558)	322,875	(163,478)
Fund balances, beginning of year	558	782	213,043	201,443	806,802	981,656	1,020,403	1,183,881
Interfund transfers (note 8)	(142,518)	79,792	(10,153)	23,504	152,671	(103,296)	—	—
Fund balances, end of year	772	558	252,082	213,043	1,090,424	806,802	1,343,278	1,020,403

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31
(thousands of dollars)

	2021	2020
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	322,875	(163,478)
Add item not involving cash		
Amortization of capital assets	827	1,241
Changes in non-cash working capital balances related to operations		
Other assets	(4,761)	(4,566)
Deferred revenue	1,758	(442)
Other liabilities	(6,001)	9,114
Reinvested investment (income) loss	(282,425)	160,600
Cash provided by operating activities	32,273	2,469
INVESTING ACTIVITIES		
Withdrawals from (contributions to) externally managed investments, net	(27,839)	4,619
Additions to capital assets	(584)	(1,218)
Cash provided by (used in) investing activities	(28,423)	3,401
Net increase in cash and cash equivalents during the year	3,850	5,870
Cash and cash equivalents, beginning of year	11,101	5,231
Cash and cash equivalents, end of year	14,951	11,101

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021

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.

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. Contributions are recorded 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 that 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 consolidated statement of operations and changes in fund balances. 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 (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 is 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 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.

3. INVESTMENTS

Investments consist of the following:

	2021		2020	
	(\$000's)	%	(\$000's)	%
Short-term investments	232,476	18	153,615	15
Fixed income				
Corporate – Global	175,381	13	163,524	16
Equities				
Canadian	138,222	10	59,336	6
U.S.	146,532	11	132,908	13
Japanese	23,047	2	18,654	2
European	47,953	4	30,227	3
Global pooled	455,897	34	357,649	35
Other international	107,822	8	96,898	10
Forward foreign exchange contracts, net	(1,394)	<1	2,861	<1
	1,325,936	100	1,015,672	100

As at March 31, 2021, bond holdings have a weighted average term of 4.39 years (2020 – 4.6 years) to maturity and a weighted average yield of 1.57% (2020 – 3.06%).

In order to manage foreign currency exposure, the Foundation has entered into three forward foreign exchange contracts. As at March 31, 2021, these forward foreign exchange contracts with a Canadian chartered bank allow the Foundation to sell US\$195.0 million on June 21, 2021 at an exchange rate of 1.24662 (fair value at a loss of \$2.0 million), to sell ¥3,700 million on June 21, 2021 at an exchange rate of 87.514 (fair value of \$0.2 million), and to sell €52.0 million on June 21, 2021 at an exchange rate of 1.48762 (fair value of \$0.4 million). The total fair market value of these contracts as at March 31, 2021 is a loss of \$1.4 million.

As at March 31, 2020, these forward foreign exchange contracts with a Canadian chartered bank allow the Foundation to sell US\$160.0 million on June 19, 2020 at an exchange rate of 1.41953 (fair value of \$2.1 million), to sell ¥2,200 million on June 19, 2020 at an exchange rate of 75.305 (fair value of \$0.4 million), and to sell €35.0 million on June 19, 2020 at an exchange rate of 1.56563 (fair value of \$0.4 million). The total fair market value of these contracts as at March 31, 2020 is a gain of \$2.9 million.

Fees of \$4.0 million (2020 – \$4.5 million) were paid to investment managers and deducted from investment income (loss).

4. OTHER ASSETS

Other assets consist of the following:

	2021 (\$000's)	2020 (\$000's)
Accounts receivable (note 9(c))	8,257	5,599
Prepaid expenses	2,296	676
Life insurance policies	6,842	6,359
	17,395	12,634

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	
	2021 (\$000's)	2020 (\$000's)	2021 (\$000's)	2020 (\$000's)	2021 (\$000's)	2020 (\$000's)
Tangible						
Computer hardware	4,319	4,012	3,724	3,388	595	624
Furniture and other equipment	1,480	1,462	1,214	1,029	266	433
Leasehold improvements	4,028	3,930	3,475	3,393	553	537
Intangible						
Computer software	3,837	3,676	3,610	3,386	227	290
Total capital assets	13,664	13,080	12,023	11,196	1,641	1,884

During 2020, \$0.5 million of fully amortized assets that are no longer in use were written off. No amounts were written off in 2021.

6. DEFERRED REVENUE

As at March 31, 2021, \$2.5 million (2020 – \$0.7 million) in revenue has been received for events that are due to occur in fiscal 2022.

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.
- 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 a payout amount based on 6.0% 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 1.5% is credited to the General Fund for administration.

In any year, should net investment income (loss) 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 (loss) 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 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 2021, investment income of \$244.4 million was earned on investments held for endowed funds. Of this amount, \$51.1 million represents an allocation of payout and \$193.3 million represents the allocation for the preservation of capital in the Endowment Fund. Of the \$193.3 million amount, \$124.0 million related to externally endowed funds was recorded as investment income in the Endowment Fund. Capital preservation of \$52.9 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(ii)). Capital preservation of \$16.4 million related to Board endowed funds where income is externally restricted for specific purposes was recorded as income in the Restricted Fund and then transferred to the Endowment Fund. (note 8(ii)). Of the total payout of \$51.1 million, \$28.6 million was recorded in the General Fund and \$22.5 million was recorded in the Restricted Fund. The payout of \$4.5 million related to Board endowed internally restricted funds recorded as income in the General Fund was transferred to the Restricted Fund (note 8(iii)).

Overall in 2020, \$180.5 million was recorded as a reduction to the Endowment Fund. Of this amount, \$55.5 million represents an allocation for payout and \$125 million represents investment loss incurred on investments held for endowed funds. Of the amount of \$125 million, \$80.7 million related to externally endowed funds was recorded as an investment loss in the Endowment Fund, \$44.3 million related to Board endowed funds where the loss is unrestricted or internally restricted was recorded as a loss in the General Fund. An amount of \$44.3 million was transferred from the Endowment Fund to the General Fund to cover this loss (note 8(i)). Of the total allocation of payout of \$55.5 million, \$4.7 million related to Board endowed internally restricted funds, was transferred to the Restricted Fund from the Endowment Fund (note 8(iii)). The payout of \$50.8 million was transferred from the Endowment Fund. Of this amount, \$31.5 million was transferred to the General Fund and \$19.2 million was transferred to the Restricted Fund (note 8(iv)).

d) The Endowment Fund consists of the following accumulated balances:

	2021 (\$000's)	2020 (\$000's)
Externally endowed		
Income restricted for specific purposes	400,699	318,346
Income unrestricted	251,455	203,173
Board endowed		
Income externally restricted for specific purposes	87,360	70,746
Income internally restricted for specific purposes	100,900	82,535
Income unrestricted	250,010	132,002
	1,090,424	806,802

8. INTERFUND TRANSFERS

Transfers between funds consist of the following:

	General Fund		Restricted Fund		Endowment Fund	
	2021 (\$000's)	2020 (\$000's)	2021 (\$000's)	2020 (\$000's)	2021 (\$000's)	2020 (\$000's)
i) Loss allocation on Board endowed funds in accordance with Board Policy (note 7(c))	—	44,314	—	—	—	(44,314)
ii) Preservation of Capital on Board endowed funds in accordance with Board Policy (note 7(c))	(52,913)	—	(16,450)	—	69,363	—
iii) Payout allocation on Board endowed internally restricted funds in accordance with Board Policy (note 7(c))	(4,543)	—	4,543	4,721	—	(4,721)
iv) Payout not covered by investment income (loss) in accordance with Board Policy (note 7(c))	—	31,511	—	19,240	—	(50,751)
v) Board and donor approved re: fund designations (see below)	(139)	2,467	1,754	(457)	(1,615)	(2,010)
vi) Surplus in General Fund (see below) Board endowed unrestricted	(59,500)	14,000	—	—	59,500	(14,000)
Campaign endowed unrestricted	(25,423)	(12,500)	—	—	25,423	12,500
	(142,518)	79,792	(10,153)	23,504	152,671	(103,296)

Interfund Transfer for Board and Donor Approved Fund Designations (v)

In 2021, the Board approved net transfers from the General Fund of \$0.1 million and Board endowed internally restricted funds of \$1.6 million to the Restricted Fund.

In 2020, the Board approved net transfers to the General Fund of \$2.5 million made up of Board endowed unrestricted funds of \$2.0 million and Restricted funds of \$0.5 million.

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 2021, \$59.5 million was transferred to the Board endowed unrestricted fund from the General Fund and \$25.4 million was transferred to the Campaign endowed unrestricted fund from the General Fund. In 2020, \$14.0 million was transferred from Board endowed unrestricted fund to the General Fund and \$12.5 million was transferred to the Campaign endowed unrestricted 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 \$78.1 million (2020 – \$134.8 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 \$96,859 (2020 – \$95,466) related to participation of current and former employees of the Foundation in the supplemental pension plan (*note 14*).
- c) As at March 31, 2021, the Foundation had a net balance payable to the Hospital of \$2.8 million (2020 – \$8.6 million). This amount includes \$2.4 million (2020 – \$2.4 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 \$4.4 million (2020 – \$4.4 million) in lease expense to the Hospital and \$1.4 million (2020 – \$1.2 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.

The Foundation is responsible for fundraising and investment management activities carried on behalf of SKCGF. The investments of SKCGF of \$4.5 million (2020 – \$3.6 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 1.5% (2020 – 1.5%) of the value of SKCGF's invested funds, which in 2021 amounted to \$59,946 (2020 – \$63,058).

11. GROSS FUNDRAISING PROGRAMS REVENUE

Gross fundraising programs revenue consists of the following:

	General Fund		Restricted Fund		Endowment Fund		Total Fund	
	2021 (\$000's)	2020 (\$000's)	2021 (\$000's)	2020 (\$000's)	2021 (\$000's)	2020 (\$000's)	2021 (\$000's)	2020 (\$000's)
Events	4,127	6,153	11,107	16,522	84	313	15,318	22,988
Corporate partnerships	18,031	18,844	15,366	13,148	168	2,508	33,565	34,500
Direct and digital marketing	41,199	37,983	2,334	1,730	162	146	43,695	39,859
Individual giving	17,472	37,497	52,555	49,834	6,581	6,220	76,608	93,551
Gross fundraising revenue	80,829	100,477	81,362	81,234	6,995	9,187	169,186	190,898

Effective April 1, 2016, pursuant to the Foundation Designated Giving Policy, 10% of all new restricted and endowed gifts not exceeding \$2.5 million is allocated to the General Fund. In 2021, \$5.1 million (2020 – \$5.6 million) of fundraising for restricted purposes and \$0.7 million (2020 – \$0.5 million) of fundraising for endowed purposes were allocated to the General Fund.

12. ALLOCATION OF EXPENSES

General support costs of \$21.3 million (2020 – \$22.9 million) have been allocated as follows:

	Direct costs		Allocated costs		Total costs	
	2021 (\$000's)	2020 (\$000's)	2021 (\$000's)	2020 (\$000's)	2021 (\$000's)	2020 (\$000's)
Fundraising program costs	20,815	24,371	21,074	22,693	41,889	47,064
Grants and charitable activity	84,610	144,675	242	247	84,852	144,922

13. LOTTERIES

During the year ended 2021, the Foundation held one lottery and two raffles (2020 – two lotteries). Financial results included in the consolidated statement of operations and changes in fund balances are as follows:

	2021 (\$000's)	2020 (\$000's)
Revenue		
Ticket sales	11,215	15,767
Other	159	267
	11,374	16,034
Costs		
Prizes	5,200	6,827
Other direct	2,767	4,875
Indirect	478	576
	8,445	12,278
Net lottery proceeds	2,929	3,756

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, 2021.

As at March 31, 2021, other liabilities include \$2.4 million (2020 – \$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) 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.

The 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 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 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, the Patient Support Centre Funding Agreement and the Core Funding Agreement contains a provision that provides for renegotiation 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:

2022 – \$22.5 million
2023 – \$22.5 million
2024 – \$22.5 million

- b) The Foundation has standby letters of credit outstanding as at March 31, 2021 of \$0.25 million, \$0.3 million and \$3.5 million, issued on August 24, 2020 and expiring April 15, 2021, May 16, 2021 and April 15, 2021, respectively, in connection with a lottery that was completed February 23, 2021. The Foundation also has standby letters of credit outstanding as at March 31, 2021 of \$4.4 million, \$0.5 million and \$0.5 million, issued on March 4, 2021 and expiring November 15, 2021, December 15, 2021 and November 15, 2021, respectively, in connection with a lottery that is launching in May 2021. The Foundation has a further standby letter of credit outstanding as at March 31, 2021 of \$25,000 expiring January 24, 2022 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.

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 to the U.S. dollar, the Japanese yen and the euro through the use of foreign exchange forward contracts. The maximum hedging policy is 90% for the U.S. dollar, Japanese yen and euro 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. COVID-19

In March 2020, the outbreak of the coronavirus disease ["COVID-19"] was declared a pandemic by the World Health Organization which resulted in a series of public health and emergency measures to combat the spread of the virus. As a result of the measures in place, the Foundation had to shift its fundraising efforts to more focus on virtual campaigns. As at March 31, 2020 the impact of the pandemic had created a lot of volatility in the financial markets but as at March 31, 2021 the markets have stabilized enabling the Foundation to have a better return in its investment portfolio. It is uncertain as to how long the pandemic will last or how far reaching the impact will be on future fundraising efforts, but management of the Foundation has maintained sufficient resources to meet its commitments in fiscal 2022.