



SickKids[®]
FOUNDATION

**FINANCIAL
STATEMENTS**
MARCH 31, 2013

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 sheets as at March 31, 2013 and 2012, and April 1, 2011, and the statements of operations and changes in fund balances and cash flows for the years ended March 31, 2013 and 2012, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 in our audits 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, 2013 and 2012, and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and 2012 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 black, cursive script font.

Chartered Accountants
Licensed Public Accountants

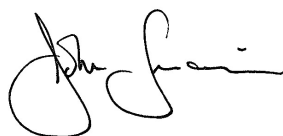
Toronto, Canada,
June 19, 2013

BALANCE SHEETS

as at (thousands of dollars)	March 31, 2013	March 31, 2012	April 1, 2011 (note 16)
ASSETS			
Cash and cash equivalents	5,575	7,788	7,815
Investments, at market (note 3)	912,864	823,682	714,875
Other assets (notes 4 and 9)	17,702	12,733	11,025
Capital assets, net (note 5)	1,748	2,259	2,232
Total assets	937,889	846,462	735,947
LIABILITIES AND FUND BALANCES			
Liabilities			
Deferred revenues (note 6)	308	255	326
Other liabilities (notes 9 and 14)	29,753	24,833	19,166
Total liabilities	30,061	25,088	19,492
<i>Commitments and contingencies (notes 9 and 15)</i>			
Fund balances			
General Fund	276	98	428
Restricted Fund	172,672	136,365	107,183
Endowment Fund (note 7)	734,880	684,911	608,844
Total fund balances	907,828	821,374	716,455
Total liabilities and fund balances	937,889	846,462	735,947

See accompanying notes

On behalf of the Board:



John Francis
Chair, Board of Directors



Sonia Baxendale
Chair, Audit and Finance Committee

STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCES

years ended March 31 (thousands of dollars)	General Fund		Restricted Fund		Endowment Fund		Total Fund	
	2013	2012	2013	2012	2013	2012	2013	2012
Fundraising programs (note 11)	44,030	44,822	58,483	57,860	7,619	5,275	110,132	107,957
Fundraising program costs (notes 12 and 14)	28,026	25,287	460	502	-	-	28,486	25,789
Net fundraising	16,004	19,535	58,023	57,358	7,619	5,275	81,646	82,168
Lottery (note 13)	15,197	20,786	-	7	-	-	15,197	20,793
Lottery costs (note 13)	14,549	18,134	-	-	-	-	14,549	18,134
Net lottery	648	2,652	-	7	-	-	648	2,659
Parking (note 9)	-	-	6,304	6,265	-	-	6,304	6,265
Parking costs (note 9)	-	-	5,123	5,216	-	-	5,123	5,216
Net parking	-	-	1,181	1,049	-	-	1,181	1,049
Total net revenue	16,652	22,187	59,204	58,414	7,619	5,275	83,475	85,876
Investment income (notes 3 and 7)	54,520	41,934	13,513	11,965	32,778	30,136	100,811	84,035
Net revenue, including investment income	71,172	64,121	72,717	70,379	40,397	35,411	184,286	169,911
Expenses (notes 9, 12 and 14)								
General fundraising and administrative	5,198	3,690	-	-	-	1	5,198	3,691
Excess of revenue over expenses before grants and charitable activity	65,974	60,431	72,717	70,379	40,397	35,410	179,088	166,220
Grants and charitable activity (notes 9, 12 and 14)	55,703	29,227	36,771	32,074	160	-	92,634	61,301
Excess of revenue over expenses for the year	10,271	31,204	35,946	38,305	40,237	35,410	86,454	104,919
Fund balances, beginning of year	98	428	136,365	107,183	684,911	608,844	821,374	716,455
Interfund transfers (note 8)	(10,093)	(31,534)	361	(9,123)	9,732	40,657	-	-
Fund balances, end of year	276	98	172,672	136,365	734,880	684,911	907,828	821,374

See accompanying notes

STATEMENTS OF CASH FLOWS

Year ended March 31 (thousands of dollars)	2013	2012
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	86,454	104,919
Item not involving cash		
Amortization of capital assets	784	655
Net changes in non-cash working capital balances related to operations		
Other assets	(4,969)	(1,708)
Deferred revenues	53	(71)
Other liabilities	4,920	5,667
Reinvested investment income	(100,811)	(84,035)
Cash provided by (used in) operating activities	(13,569)	25,427
INVESTING ACTIVITIES		
Withdrawals from (contributions to) externally managed investments	11,629	(24,772)
Additions to capital assets	(273)	(682)
Cash provided by (used in) investing activities	11,356	(25,454)
Net decrease in cash and cash equivalents during the year	(2,213)	(27)
Cash and cash equivalents, beginning of year	7,788	7,815
Cash and cash equivalents, end of year	5,575	7,788

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

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 Canadian Institute of Chartered Accountants’ (“CICA”) Handbook – Accounting Standards for Not-for-Profit Organizations, 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 liquidity 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 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 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 balance sheet. Actuarial gains and losses and past service costs are included in the cost of the plan for the year. The accrued benefit obligation is determined based on an actuarial valuation using accounting assumptions that is 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:

	March 31, 2013		March 31, 2012		April 1, 2011	
	(\$000's)	%	(\$000's)	%	(\$000's)	%
Short-term investments	179,492	20	116,667	14	98,521	14
Fixed income						
Government – Canada	74,308	8	79,267	10	64,846	9
Corporate – Canada	41,978	4	43,051	5	38,083	5
Government – U.S.	182,995	20	202,860	25	152,502	21
Corporate – U.S.	52,854	6	49,343	6	46,024	6
Mortgages – Global	5,218	1	1,063	<1	318	<1
Equities						
Canadian	19,369	2	19,806	2	23,273	3
U.S.	58,581	6	59,046	7	51,583	7
Hedge fund	18,428	2	16,366	2	15,432	2
Japanese	14,884	2	17,080	2	15,495	2
European	21,588	2	22,891	3	22,238	3
Global pooled	207,370	23	170,438	21	156,196	22
Other international	32,492	4	29,102	4	28,456	4
Forward foreign exchange contracts	3,307	<1	(3,298)	<(1)	1,908	<1
	912,864	100	823,682	100	714,875	100

SICKKIDS FOUNDATION

As at March 31, 2013, bond holdings have a weighted average term of 11.26 years (March 31, 2012 - 15.09 years; April 1, 2011 - 14.74 years) to maturity and a weighted average yield of 2.96% (March 31, 2012 - 3.97%; April 1, 2011 - 4.89%).

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\$300 million on April 19, 2013 at an exchange rate of 1.026650, to sell ¥2,000 million on April 19, 2013 at an exchange rate of 93.320000, and to sell €25.5 million on April 19, 2013 at an exchange rate of 1.337600. The fair market value of these contracts at March 31, 2013 is a gain of \$3.3 million (March 31, 2012 - net loss of \$3.3 million; April 1, 2011 - gain of \$1.9 million).

Fees of \$3.1 million (2012 - \$2.8 million) were paid to investment managers and deducted from investment income.

4. OTHER ASSETS

	March 31, 2013	March 31, 2012	April 1, 2011
	(\$000's)	(\$000's)	(\$000's)
Accounts receivable (note 9)	9,068	4,138	2,558
Prepaid expenses	471	676	891
Irrevocable charitable trust	8,163	7,919	7,576
	17,702	12,733	11,025

During 2011, the Foundation was named 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.

5. CAPITAL ASSETS

	Cost		Accumulated Amortization		Net Book Value	
	2013	2012	2013	2012	2013	2012
	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Tangible						
Hardware	1,077	899	887	781	190	118
Leasehold improvements	3,019	2,968	2,616	2,272	403	696
Furniture and other equipment	511	485	467	400	44	85
Intangible						
Software	2,053	2,035	942	675	1,111	1,360
Total capital assets	6,660	6,387	4,912	4,128	1,748	2,259

6. DEFERRED REVENUES

As at March 31, 2013, \$0.3 million (March 31, 2012 - \$0.3 million; April 1, 2011 - \$0.3 million) in revenue has been received for events and lotteries which are due to occur in 2013. 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 2013, investment income of \$82.3 million (2012 - \$72.4 million) was earned on investments held for endowed funds of which \$49.1 million (2012 - \$44.1 million) was allocated for the preservation of capital. Of this amount, \$32.8 million (2012 - \$30.1 million) related to externally endowed funds was recorded as investment income in the Endowment Fund. Capital preservation of \$14.7 million (2012 - \$12.5 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 \$1.6 million (2012 - \$1.5 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 \$33.2 million (2012 - \$28.3 million), \$21.6 million (2012 - \$18.3 million) was recorded in the General Fund and \$11.6 million (2012 - \$10.0 million) was recorded in the Restricted Fund. The payout of \$2.9 million (2012 - \$0.6 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:

	March 31, 2013	March 31, 2012	April 1, 2011
	(\$000's)	(\$000's)	(\$000's)
Externally endowed			
Income restricted for specific purposes	268,692	235,701	214,201
Income unrestricted	231,818	216,058	201,234
Board endowed			
Income externally restricted for specific purposes	24,744	23,154	13,609
Income internally restricted for specific purposes	78,443	75,147	24,287
Income unrestricted	131,183	134,851	155,513
	734,880	684,911	608,844

8. INTERFUND TRANSFERS

Transfers between funds consist of the following:

	General Fund		Restricted Fund		Endowment Fund	
	2013	2012	2013	2012	2013	2012
	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)
i) Preservation of capital re: Board Endowed Funds (<i>note 7(c)</i>)	(14,733)	(12,512)	(1,623)	(1,513)	16,356	14,025
ii) Payout allocation re: Internally Restricted Funds (<i>note 7(c)</i>)	(2,865)	(650)	2,865	650	-	-
iii) Board and donor approved re: fund designations (see below)	505	(683)	(881)	(8,260)	376	8,943
iv) Deficit in General Fund (see below)	7,000	(17,689)	-	-	(7,000)	17,689
	(10,093)	(31,534)	361	(9,123)	9,732	40,657

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

In 2013, the Board approved net transfers from the Restricted Fund of \$0.5 million to the General Fund and \$0.4 million to the Endowment Fund. In 2012, there were Board approved net transfers from the General Fund of \$0.7 million and from the Restricted Fund of \$8.3 million for a total net transfer of \$9.0 million to the Endowment Fund.

Transfer of Deficit 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 2013, \$7.0 million in interfund transfers were recorded from the Board endowed unrestricted fund to the General Fund. In 2012, \$17.7 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 \$88.7 million (2012 - \$59.3 million) to the Hospital for research, education, capital and other projects.
- 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 a fee of \$0.5 million (2012 - \$0.4 million) in connection with Hospital leased space occupied by the Foundation and the reimbursement to the Hospital of \$70,000 (2012 - \$85,000) related to participation of current and former employees of the Foundation in the supplemental pension plan.
- c) As at March 31, 2013, the Foundation had a balance payable to the Hospital of \$20.6 million (March 31, 2012 - \$15.3 million; April 1, 2011 - \$10.4 million) included in other liabilities and a balance receivable from the Hospital of \$1.0 million (March 31, 2012 - \$0.4 million; April 1, 2011 - \$0.2 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 in 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 \$4.0 million (2012 - \$4.0 million) in lease expense to the Hospital and \$1.1 million (2012 - \$1.2 million) in management fees.

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 \$1.2 million (March 31, 2012 - \$0.9 million; April 1, 2011 - \$0.6 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 \$12,000 (2012 - \$9,000).

11. GROSS FUNDRAISING PROGRAMS REVENUE

	General Fund		Restricted Fund		Endowment Fund		Total Fund	
	2013	2012	2013	2012	2013	2012	2013	2012
	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Events	2,265	2,434	13,139	13,420	631	572	16,035	16,426
Corporate partnerships	10,627	10,597	7,045	7,667	1,345	1,040	19,017	19,304
Direct marketing	24,407	23,525	1,018	1,517	34	56	25,459	25,098
Individual giving	6,731	8,266	37,281	35,256	5,609	3,607	49,621	47,129
Gross fundraising revenue	44,030	44,822	58,483	57,860	7,619	5,275	110,132	107,957

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 2013, \$1.9 million (2012 - \$1.8 million) of fundraising for restricted purposes and \$0.1 million (2012 - \$0.1 million) of fundraising for endowed purposes were allocated to the General Fund.

12. ALLOCATION OF EXPENSES

General support costs of \$10.7 million (2012 - \$10.7 million) have been allocated as follows:

	Direct costs		Allocated costs		Total costs	
	2013	2012	2013	2012	2013	2012
	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Fundraising program costs	18,056	15,525	10,430	10,264	28,486	25,789
Grants and charitable activity	92,333	60,905	301	396	92,634	61,301

13. LOTTERIES

During the year ended March 31, 2013, the Foundation held two lotteries. During the year ended March 31, 2012, the Foundation held three lotteries. Financial results included in the statement of operations and changes in fund balances are as follows:

	2013	2012
	(\$000's)	(\$000's)
Revenue		
Ticket sales	14,983	20,601
Other	214	192
	15,197	20,793
Costs		
Prizes	5,375	6,992
Other direct	8,771	8,775
Indirect	403	2,367
	14,549	18,134
Net lottery proceeds	648	2,659

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 was as of March 31, 2013.

As at March 31, 2013, other liabilities include \$2.2 million (March 31, 2012 - \$2.1 million; April 1, 2011 - \$2.1 million) representing the accrued benefit obligation related to the benefits to be provided to Foundation employees who participated in the Supplemental Plan. An expense of \$0.1 million (2012 - \$0.1 million) related to this liability has been recorded in the statement of operations and changes in fund balances. Contributions and benefit payments were equal to \$78,181 (2012 - \$93,700). The discount rate used in measuring the Foundation’s liability was 6.25% (March 31, 2012 - 6.25%; April 1, 2011 - 6.25%) and expense was 6.25% (March 31, 2012 - 6.25%; April 1, 2011 - 6.25%).

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 intends to use 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 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 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 for 2014 and multi-year commitments for the National Grants Program are as follows:

2014	\$ 36.7 million
2015	\$ 4.8 million
2016	\$ 4.1 million

Because the payments due to the Hospital under the aforementioned agreements are contingent on future events, payments beyond 2017 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, 2013 of \$3.3 million, issued on October 15, 2012 and expiring on May 13, 2013, issued in connection with a lottery that was completed in March 2013.
- c) As at March 31, 2013, 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. FIRST-TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

These financial statements are the first financial statements which the Foundation has prepared in accordance with Part III of the CICA Handbook – Accounting, which constitutes generally accepted accounting principles for not-for-profit organizations in Canada (“GAAP”). In preparing its opening balance sheet as at April 1, 2011 (the “Transition Date”), the Foundation has applied CICA Handbook Section 1501, First-time Adoption for Not-for-Profit Organizations.

The accounting policies that the Foundation has used in the preparation of its opening balance sheet have resulted in certain adjustments to balances which were presented in the balance sheet prepared in accordance with Part V of the CICA Handbook – Accounting (“Previous GAAP”). These adjustments were recorded directly to the Foundation's fund balances at the Transition Date using the transitional provisions set out in Section 1501 and are described below.

Exemptions Elected Upon Transition

Section 1501 provides a number of elective exemptions related to standards in Part III of the CICA Handbook. The Foundation has elected to use the transition exemption with respect to the recognition of cumulative actuarial losses at the Transition Date.

Reconciliation

The following table provides a reconciliation of fund balances as at April 1, 2011 and the excess of revenue over expenses for the year ended March 31, 2012, as presented under Previous GAAP with those computed under GAAP.

	Excess of revenue over expenses for the year ended March 31, 2012	Fund balances as at April 1, 2011
	(\$000's)	(\$000's)
Excess of revenue over expenses and net assets, Previous GAAP	104,730	718,449
Election to recognize unamortized actuarial losses	189	(1,994)
Excess of revenue over expenses and net assets, GAAP	104,919	716,455

Using an elective exemption available at the Transition Date, the Foundation has recognized unamortized actuarial losses related to employee future benefits in opening fund balances at the Transition Date.

17. 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.