

**Mount Sinai Hospital Foundation of  
Toronto**

Financial Statements  
**March 31, 2011**

May 19, 2011

## Independent Auditor's Report

To the Board of Directors of  
Mount Sinai Hospital Foundation of Toronto

We have audited the accompanying financial statements of Mount Sinai Hospital Foundation of Toronto, which comprise the balance sheet as at March 31, 2011 and the statement of revenue and expenses and changes in fund balances for the year then ended, and the related notes including a summary of significant accounting policies.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

### Auditor's 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 auditor's 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 auditor considers 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 Mount Sinai Hospital Foundation of Toronto as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

Chartered Accountants, Licensed Public Accountants

# Mount Sinai Hospital Foundation of Toronto

Balance Sheet

As at March 31, 2011

	2011 \$	2010 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	5,130,749	2,308,606
Accounts receivable	106,867	723,806
Due from Mount Sinai Hospital (note 6)	666,667	-
Prepaid expenses	141,467	209,150
Investments (note 3)	7,902,844	10,672,389
Foreign currency forward contracts (note 4)	-	557,898
	<u>13,948,594</u>	<u>14,471,849</u>
<b>Long-term investments (note 3)</b>	56,510,877	55,025,152
<b>Due from Mount Sinai Hospital (note 6)</b>	1,333,333	-
<b>Capital assets (note 5)</b>	<u>161,466</u>	<u>195,547</u>
<b>Total assets</b>	<u>71,954,270</u>	<u>69,692,548</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	521,387	384,292
Due to Mount Sinai Hospital (note 6)	17,620,043	18,382,432
	<u>18,141,430</u>	<u>18,766,724</u>
<b>Due to Mount Sinai Hospital (note 6)</b>	3,681,318	3,981,318
<b>Other long-term liabilities</b>	<u>130,656</u>	<u>143,298</u>
<b>Total liabilities</b>	<u>21,953,404</u>	<u>22,891,340</u>
<b>Fund Balances</b>		
General Fund (note 7)	(8,519,908)	(8,819,908)
Endowment Fund (note 8)	58,520,774	55,621,116
	<u>50,000,866</u>	<u>46,801,208</u>
<b>Total liabilities and Fund Balances</b>	<u>71,954,270</u>	<u>69,692,548</u>

Approved by the Board of Directors

\_\_\_\_\_  
Director

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Director

# Mount Sinai Hospital Foundation of Toronto

Statement of Revenue and Expenses and Changes in Fund Balances  
For the year ended March 31, 2011

	General Fund		Restricted Fund		Endowment Fund		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>								
Donations, bequests and contributions	5,435,195	7,507,424	22,098,885	24,360,184	306,788	421,444	27,840,868	32,289,052
Events revenue	66,433	82,299	1,942,203	1,723,187	-	-	2,008,636	1,805,486
	5,501,628	7,589,723	24,041,088	26,083,371	306,788	421,444	29,849,504	34,094,538
Investment income (loss) (note 9)	(35,506)	(4,514)	70,342	18,031	5,429,336	8,904,297	5,464,172	8,917,814
	5,466,122	7,585,209	24,111,430	26,101,402	5,736,124	9,325,741	35,313,676	43,012,352
<b>Expenses</b>								
Events expenses	7,403	117,923	170,808	279,886	-	-	178,211	397,809
Fundraising and administrative	5,186,046	6,230,617	-	-	-	-	5,186,046	6,230,617
<b>Net revenue before grants</b>	272,673	1,236,669	23,940,622	25,821,516	5,736,124	9,325,741	29,949,419	36,383,926
<b>Grants</b>	1,562,984	3,026,103	22,350,311	23,732,130	2,836,466	2,935,804	26,749,761	29,694,037
<b>Net revenue after grants</b>	(1,290,311)	(1,789,434)	1,590,311	2,089,386	2,899,658	6,389,937	3,199,658	6,689,889
<b>Fund balances - Beginning of year</b>	(8,819,908)	(9,119,908)	-	-	55,621,116	49,231,227	46,801,208	40,111,319
<b>Interfund transfers</b>	1,590,311	2,089,434	(1,590,311)	(2,089,386)	-	(48)	-	-
<b>Fund Balances - End of year</b>	(8,519,908)	(8,819,908)	-	-	58,520,774	55,621,116	50,000,866	46,801,208

# Mount Sinai Hospital Foundation of Toronto

Notes to Financial Statements

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## 1 Purpose of the organization

The Mount Sinai Hospital Foundation of Toronto (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 advancement of medical research, education and improvement of patient care at Mount Sinai Hospital (the Hospital).

The Foundation is a public foundation registered under the Income Tax Act (Canada) (the Act) and as such is exempt from income taxes and able to issue donation receipts for income tax purposes under registration number 11904 8106 RR0001. In order to maintain its status as a public foundation, registered under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

## 2 Summary of significant accounting policies

The financial statements of the Foundation have been prepared in accordance with Canadian generally accepted accounting principles. The following summary of significant accounting policies is set forth to facilitate the understanding of these financial statements.

### Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

For financial reporting purposes, the accounts have been classified into the following funds:

#### a) General Fund

The General Fund accounts for the Foundation's general fundraising, granting and administrative activities. The General Fund reports unrestricted resources available for immediate purposes.

#### b) Restricted Fund

The Restricted Fund includes those funds where resources are to be used for an identified purpose as specified by the donor, as stipulated by the fundraising appeal or as determined by the Board. The Foundation allocates a portion of its restricted revenues to the General Fund to fund critical needs support for the Hospital. The amount allocated varies year to year depending on the Hospital's needs.

#### c) Endowment Fund

The Endowment Fund includes those funds where either donor or internal restrictions require the principal to be maintained by the Foundation for a specified period of time.

# Mount Sinai Hospital Foundation of Toronto

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## Investments

Investments, including investments denominated in US dollars, are recorded at fair value. Unrealized gains or losses in the value of the investments are recorded in the statement of revenue and expenses and changes in fund balances.

## Revenue recognition

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

Revenue from investments represents interest, dividends and realized and unrealized gains and losses, net of safekeeping and investment counsel and other investment expenses. Investment income earned on Endowment Fund resources is recognized as revenue of the Endowment Fund. Investment income earned on Restricted Fund and General Fund resources are recognized as revenue of the respective funds.

## Pledges

The Foundation records pledge revenue when it is received.

## Contributed goods and services

Contributed goods and services are not recognized in the financial statements.

## Capital assets

Purchased capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	10 years
Furniture and fixtures	10 years
Computer hardware and software	3 years

## Financial instruments and risk management

Investments are classified as held-for-trading and are recorded at fair value. Transaction costs related to investments classified as held-for-trading are expensed as incurred. For certain of the Foundation's other financial instruments, including cash, accounts receivable (which are classified as loans and receivables), accounts payable and accrued liabilities (which are classified as other liabilities), their carrying values approximate their fair values due to their short-term maturities.

# Mount Sinai Hospital Foundation of Toronto

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## Deferred leasehold inducements

Leasehold inducements received in respect of leased office space occupied by the Foundation have been deferred. Amortization is provided on a straight-line basis over the estimated useful life. Leasehold inducements are included in accounts payable and accrued liabilities.

## Use of estimates

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

## 3 Investments

	2011 \$	2010 \$
Cash and short-term investments	5,026,553	12,238,456
State of Israel bonds	2,082,818	2,250,022
Bonds and debentures	36,538,755	33,079,794
Equities		
Canadian	14,747,861	13,020,466
US	6,017,734	5,108,803
	<hr/>	<hr/>
Less: Current portion	64,413,721 (7,902,844)	65,697,541 (10,672,389)
	<hr/>	<hr/>
Long-term portion	56,510,877	55,025,152

The investment portfolio is managed in accordance with the Foundation's investment policy.

Included in investments are US dollar denominated securities comprising equities of US\$nil (2010 - US\$5,063,412) and State of Israel bonds of US\$69,750 (2010 - US\$83,500).

## 4 Derivative asset/liability

As at March 31, 2011, the Foundation has not entered into any forward exchange contracts. As at March 31, 2010, the net unrealized gain associated with forward exchange contracts, recorded in the accounts as a derivative asset, amounts to \$557,898.

# Mount Sinai Hospital Foundation of Toronto

Notes to Financial Statements

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## 5 Capital assets

	<b>2011</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	<b>\$</b>
Leasehold improvements	202,615	96,267	106,348
Furniture and fixtures	75,633	36,270	39,363
Computer hardware and software	295,916	280,161	15,755
	<u>574,164</u>	<u>412,698</u>	<u>161,466</u>
			<b>2010</b>
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	<b>\$</b>
Leasehold improvements	202,615	75,705	126,910
Furniture and fixtures	74,581	28,738	45,843
Computer hardware and software	284,251	261,457	22,794
	<u>561,447</u>	<u>365,900</u>	<u>195,547</u>

## 6 Related party balances and transactions

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Payable to Mount Sinai Hospital		
Capital and clinical grants	14,386,848	14,631,291
Samuel Lunenfeld Research Institute (SLRI)	5,545,715	6,289,039
Other payables	1,368,798	1,443,420
	<u>21,301,361</u>	<u>22,363,750</u>
Less: Current portion	(17,620,043)	(18,382,432)
Long-term portion	<u>3,681,318</u>	<u>3,981,318</u>
Amounts payable to the Hospital are comprised of		
SLRI obligation and projects expensed	8,670,820	6,364,033
Projects identified but not yet spent	11,799,752	15,125,595
Funds held under administration	830,789	874,122
	<u>21,301,361</u>	<u>22,363,750</u>



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Mount Sinai 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 the services provided and expenses paid. Administrative expenses include a charge of \$158,060 (2010 - \$170,033) paid to the Hospital for office space occupied by the Foundation, which is leased on a month-to-month basis.

In March 2011, the Foundation loaned Mount Sinai Hospital \$2,000,000 to be used for capital needs of the Samuel Lunenfeld Research Institute. The loan is repayable to the Foundation by March 31, 2014 plus interest at the same rate as that earned by the Lunenfeld Fund on its medium term bond investments.

## 7 General Fund

	2011 \$	2010 \$
Unrestricted	(8,681,374)	(9,015,455)
Invested in capital assets	161,466	195,547
	<u>(8,519,908)</u>	<u>(8,819,908)</u>

The unrestricted deficiency has arisen as a result of a shortfall of unrestricted funds in prior years available to satisfy the Foundation's grant obligations to the Samuel Lunenfeld Research Institute.

## 8 Endowment Fund

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 to the Endowment Fund, with the intention that the principal be maintained intact.

In addition, from time to time the Foundation may enter into arrangements whereby it is required to match amounts donated on a best efforts basis over an unspecified period. As at March 31, 2011, there was \$366,796 (2010 - \$366,796) of such amounts yet to be funded.

The investment income generated from assets held for endowment purposes must be used in accordance with the various purposes established by the donor or the Board.

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Major categories of restrictions on fund balances are as follows:

	2011 \$	2010 \$
Endowments, income from which must be used for research purposes	33,215,821	33,179,866
Endowments, income from which must be used for other restricted purposes	20,522,521	21,346,554
Funds restricted for research endowed by the Board	53,738,342	54,526,420
Investment gain (including unrealized gains and losses) recorded in the Endowment Fund	1,479,822	1,479,249
	3,302,610	(384,553)
	<u>58,520,774</u>	<u>55,621,116</u>

## 9 Investment income (loss)

	2011			
	General Fund \$	Restricted Fund \$	Endowment Fund \$	Total \$
Interest, dividends and realized gains (losses)	(35,506)	123,944	4,483,823	4,572,261
Net changes in unrealized gains (losses) on investments	-	(30,533)	1,282,415	1,251,882
	(35,506)	93,411	5,766,238	5,824,143
Less: Investment and custodian fees	-	(23,069)	(336,902)	(359,971)
	<u>(35,506)</u>	<u>70,342</u>	<u>5,429,336</u>	<u>5,464,172</u>
	2010			
	General Fund \$	Restricted Fund \$	Endowment Fund \$	Total \$
Interest, dividends and realized gains (losses)	(4,514)	46,661	2,652,095	2,694,242
Net changes in unrealized gains (losses) on investments	-	(3,189)	5,965,815	5,962,626
Net changes in unrealized gains (losses) on foreign currency forward contracts	-	-	557,898	557,898
	(4,514)	43,472	9,175,808	9,214,766
Less: Investment and custodian fees	-	(25,441)	(271,511)	(296,952)
	<u>(4,514)</u>	<u>18,031</u>	<u>8,904,297</u>	<u>8,917,814</u>

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## 10 Grants

	2011 \$	2010 \$
Capital, clinical and other	19,919,365	19,316,690
Samuel Lunenfeld Research Institute	6,830,396	10,377,347
	<u>26,749,761</u>	<u>29,694,037</u>

## 11 Entitlements

The Foundation is the income beneficiary of an estate, which is administered by a major Canadian trust company. The fair value of the Foundation's portion of the estate as at March 31, 2011 is \$5,243,413 (2010 - \$4,971,761), which represents a 30% share in the estate. The income included in donations, bequests and contributions for the year ended March 31, 2011 is \$179,187 (2010 - \$192,626).

## 12 Pledges receivable

At the end of the fiscal year, pledges receivable by the Foundation are as follows:

	\$
2011/2012	18,615,024
2012/2013	16,700,529
2013/2014	11,464,047
2014/2015	9,416,778
2015/2016	8,293,401
2016 and thereafter	28,544,790
	<u>93,034,569</u>

## 13 Capital management

The Foundation considers its capital to comprise the Endowment Fund and other short-term cash resources. This capital is invested in a combination of equities, bonds and other investments to provide for the long-term preservation of the Endowment Fund and short-term liquidity requirements of the Foundation in line with its overall objectives as set out in note 1. The investments are administered in line with the investment policy as established by the Investment Committee of the Foundation. The Foundation also has external restrictions in connection with certain of its Endowment Funds. These restrictions are monitored and the Foundation is currently of the view that it is in compliance with these external restrictions.

## 14 Statement of cash flows

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