

Sinai Health System Foundation

Financial Statements
March 31, 2016



June 17, 2016

Independent Auditor's Report

To the Board of Directors of Sinai Health System Foundation

We have audited the accompanying financial statements of Sinai Health System Foundation, which comprise the statement of financial position as at March 31, 2016 and the statements of operations and changes in fund balances and cash flows for the year then ended, and the related notes, which comprise 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.

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.

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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sinai Health System Foundation as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Sinai Health System Foundation

Statement of Financial Position

As at March 31, 2016

	2016 \$	2015 \$
Assets		
Current assets		
Cash	23,424,426	19,881,851
Accounts receivable	338,908	125,879
Prepaid expenses	98,343	71,581
Derivatives (note 3)	994,481	-
Investments (note 3)	1,081	16,455
	<u>24,857,239</u>	<u>20,095,766</u>
Investments (note 3)	90,958,587	92,619,642
Capital assets (note 4)	<u>60,110</u>	<u>125,675</u>
	<u>115,875,936</u>	<u>112,841,083</u>
Liabilities		
Current liabilities		
Bank indebtedness (note 5)	5,750,000	6,750,000
Accounts payable and accrued liabilities (note 6)	762,166	781,876
Due to Sinai Health System (note 7)	<u>1,270,667</u>	<u>1,537,886</u>
	7,782,833	9,069,762
Due to Sinai Health System (note 7)	4,770,628	5,370,692
Employee future benefits (note 8)	50,300	64,800
Other long-term liabilities	<u>12,013</u>	<u>36,323</u>
	<u>12,615,774</u>	<u>14,541,577</u>
Fund Balances		
General Fund (note 9)	(13,678,906)	(14,572,650)
Restricted Fund	22,813,309	19,033,391
Endowment Fund (note 10)	<u>94,125,759</u>	<u>93,838,765</u>
	<u>103,260,162</u>	<u>98,299,506</u>
	<u>115,875,936</u>	<u>112,841,083</u>
Commitments (note 17)		

Approved by the Board of Directors

 Director

 Director

The accompanying notes are an integral part of these financial statements.

Sinai Health System Foundation

Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2016

	General Fund		Restricted Fund		Endowment Fund		Total	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
Income								
Donations, bequests and contributions	8,791,253	10,289,172	27,095,175	29,890,414	5,429,202	2,888,893	41,315,630	43,068,479
Events revenue	2,427,679	496,160	2,409,592	3,847,674	-	-	4,837,271	4,343,834
Other revenue	142,005	-	-	-	-	-	142,005	-
Interest	260,578	110,131	-	42,357	35,559	-	296,137	152,488
	11,621,515	10,895,463	29,504,767	33,780,445	5,464,761	2,888,893	46,591,043	47,564,801
Investment income (loss) (note 11)	78,213	1,842,986	-	3,392,270	(1,488,516)	2,793,677	(1,410,303)	8,028,933
	11,699,728	12,738,449	29,504,767	37,172,715	3,976,245	5,682,570	45,180,740	55,593,734
Expenses								
Events	1,124,220	70,364	75,638	611,942	-	-	1,199,858	682,306
Fundraising and administrative	9,085,966	7,966,916	9,985	6,114	-	-	9,095,951	7,973,030
	10,210,186	8,037,280	85,623	618,056	-	-	10,295,809	8,655,336
Surplus before grants	1,489,542	4,701,169	29,419,144	36,554,659	3,976,245	5,682,570	34,884,931	46,938,398
Grants (note 12)	(1,462,531)	(1,567,815)	(28,434,381)	(33,729,183)	(58,863)	-	(29,955,775)	(35,296,998)
Surplus for the year	27,011	3,133,354	984,763	2,825,476	3,917,382	5,682,570	4,929,156	11,641,400
Fund balances - Beginning of year	(14,572,650)	(18,053,812)	19,033,391	16,555,723	93,838,765	88,156,195	98,299,506	86,658,106
Employee future benefits remeasurement	31,500	-	-	-	-	-	31,500	-
Interfund transfers (note 14)	835,233	347,808	2,795,155	(347,808)	(3,630,388)	-	-	-
Fund balances - End of year	(13,678,906)	(14,572,650)	22,813,309	19,033,391	94,125,759	93,838,765	103,260,162	98,299,506

The accompanying notes are an integral part of these financial statements.

Sinai Health System Foundation

Statement of Cash Flows

For the year ended March 31, 2016

	2016 \$	2015 \$
Cash provided by (used in)		
Operating activities		
Surplus for the year	4,929,156	11,641,400
Items not involving cash		
Amortization of capital assets	72,051	71,639
Amortization of deferred lease inducements	(24,310)	(24,310)
Employee future benefit expense	17,000	64,800
Change in fair value of derivatives	(994,481)	-
Change in fair value of investments	390,648	(8,028,933)
	<u>4,390,064</u>	<u>3,724,596</u>
Net changes in non-cash working capital items		
Accounts receivable	(213,029)	89,540
Prepaid expenses	(26,762)	92,085
Due to Sinai Health System	(867,283)	(144,747)
Accounts payable and accrued liabilities	(19,710)	424,626
	<u>3,263,280</u>	<u>4,186,100</u>
Financing activities		
Proceeds from short-term bank financing	-	7,000,000
Repayment of bank indebtedness	(1,000,000)	(250,000)
	<u>(1,000,000)</u>	<u>6,750,000</u>
Investing activities		
Purchase of capital assets	(6,486)	(24,596)
Change in short-term investments	15,374	5,419,481
Purchase of investments	(7,349,298)	(8,016,455)
Sale of investments	8,619,705	9,024,711
	<u>1,279,295</u>	<u>6,403,141</u>
Change in cash during the year	<u>3,542,575</u>	<u>17,339,241</u>
Cash - Beginning of year	<u>19,881,851</u>	<u>2,542,610</u>
Cash - End of year	<u>23,424,426</u>	<u>19,881,851</u>
Supplementary information		
Interest paid	153,431	40,188

The accompanying notes are an integral part of these financial statements.

Sinai Health System Foundation

Notes to Financial Statements

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1 Purpose of the organization

Mount Health System 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 advancement of medical research, education and improvement of patient care at Sinai Health System, formerly Mount Sinai Hospital (the Hospital). The Foundation received approval on November 6, 2015 to change its name from Mount Sinai Hospital Foundation of Toronto to Sinai Health System Foundation.

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.

2 Summary of significant accounting policies

The financial statements of the Foundation have been prepared in accordance with accounting standards for not-for-profit organizations (ASNPO). 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 use.

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 of Directors. Restricted donations, other than endowments, include a 10% allocation to the General Fund to fund critical needs support for the Hospital.

c) Endowment Fund

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

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Investments

Publicly traded securities are valued based on the closing prices and pooled funds are valued based on reported unit values. Fixed income securities not publicly traded include State of Israel bonds and debentures, which are valued based on cost plus accrued income. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Derivatives

The Foundation enters into forward foreign exchange contracts in order to manage its foreign currency exposure in its investment portfolio. The derivative contracts are measured at fair value until they are settled. The change in fair value of the derivatives is recorded in investment income (loss) in the statement of operations and changes in fund balances.

Foreign currency translation

Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the transaction date. Investments and other monetary items denominated in foreign currencies are translated at the year-end rate. Translation gains and losses are included in the statement of operations and changes in fund balances.

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions, which include bequests and other donations. Bequests and other donations are recognized when received. Unrestricted contributions are recognized as revenue of the General Fund in the year received. Donor restricted contributions for specific purposes are recognized as revenue with 90% recorded in the Restricted Fund and 10% in the General Fund to support highest priority needs. Donor restricted contributions requiring the capital to be maintained permanently are recognized as revenue of the Endowment Fund.

Investment income (loss) consists of interest, dividends and changes in fair value of investments, net of safekeeping and investment counsel and other investment expenses. Investment income earned on the Endowment Fund or Restricted Fund resources that must be spent on donor designated activities is recognized as revenue of the Restricted Fund. Investment income subject to donor restrictions stipulating that it be added to the endowment is recognized as revenue of the Endowment Fund. Unrestricted investment income earned on Endowment Fund, Restricted Fund and General Fund resources is recognized as revenue of the General Fund. Investment losses are allocated in a manner consistent with investment income.

The Foundation recognizes revenue from special events in the year in which the event occurs.

Pledges

The Foundation records pledges as revenue when payment is received.

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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

The Foundation initially recognizes financial instruments at fair value and subsequently measures them at each reporting date as follows:

Cash	fair value
Accounts receivable	amortized cost
Prepaid expenses	amortized cost
Derivatives	fair value
Investments	fair value
Bank indebtedness	fair value
Accounts payable and accrued liabilities	amortized cost
Due to Sinai Health System	amortized cost

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists, the asset shall be written down and the resulting impairment loss shall be recognized in the statement of operations and changes in fund balances for the year.

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 long-term liabilities.

Employee future benefits

The Foundation accrues its obligations under employee future benefit plans and the related costs when the benefits are earned through current service. The cost of post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimates of retirement ages of employees, expected health-care and dental costs. Actuarial gains and losses arise when the accrued benefit obligations change during the year. The actuarial gains and losses are recorded directly in fund balances.

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Use of estimates

The preparation of financial statements in conformity with ASNPO 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 amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

3 Investments

	2016 \$	2015 \$
Short-term		
Donated securities	1,081	16,455
Long-term		
Pooled funds	61,906,596	54,513,693
Bonds and debentures	12,551,621	20,450,110
Equities		
Canadian	4,926,003	5,731,961
US	10,583,886	10,724,430
Other	888,328	1,094,110
State of Israel bonds	102,153	105,338
	<u>90,958,587</u>	<u>92,619,642</u>

Pooled funds consist of cash and a short-term investment totalling \$475,589 (2015 - \$195,160), bonds of \$20,548,977 (2015 - \$11,696,663), Canadian equities of \$6,816,681 (2015 - \$8,362,321), US equities of \$11,556,394 (2015 - \$12,017,153) and alternative strategies of \$22,508,955 (2015 - \$22,242,396).

The investment portfolio is managed in accordance with the Foundation's policy and/or donor agreements. Investments made using endowed funds are classified as long-term.

The Foundation has entered into a forward foreign exchange contract with a Canadian chartered bank to mitigate its exposure to fluctuations in foreign exchange in its investment portfolio. The contract allows the Foundation to sell US\$6,395,269 on April 19, 2016 at an exchange rate of 1.45420. The fair market value of the contract at March 31, 2016 is a gain of \$994,481.

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4 Capital assets

			2016	2015
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Leasehold improvements	261,038	235,530	25,508	60,582
Furniture and fixtures	106,931	83,676	23,255	33,556
Computer hardware and software	384,343	372,996	11,347	31,537
	<u>752,312</u>	<u>692,202</u>	<u>60,110</u>	<u>125,675</u>

5 Bank indebtedness

The Foundation entered into a credit facility agreement with a Canadian chartered bank, which provides for a revolving operating line of credit of up to \$10,000,000, bearing interest at prime less 0.85%. As at March 31, 2016, the Foundation utilized \$5,750,000 (2015 - \$6,750,000) of the operating line of credit.

6 Government remittances

Included in accounts payable and accrued liabilities are government remittances payable of \$nil (2015 - \$nil), which includes payroll related taxes.

7 Related party balances and transactions

Amounts owing to the Hospital include:

	2016 \$	2015 \$
Payable to the Hospital		
Lunenfeld-Tanenbaum Research Institute (LTRI)	4,795,628	4,820,628
Other payables	1,245,667	2,087,950
	<u>6,041,295</u>	<u>6,908,578</u>
Less: Current portion	(1,270,667)	(1,537,886)
	<u>4,770,628</u>	<u>5,370,692</u>

In October 2007, an agreement was made with the Hospital to provide operating grants of \$7,700,144 to LTRI, formerly Samuel Lunenfeld Research Institute (SLRI). The agreement was amended in March 2015, for which annual payments are equal to a minimum of \$25,000 plus interest. The outstanding payable relating to this agreement is \$4,795,628 (2015 - \$4,820,628).

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 the services provided and expenses paid. Administrative expenses of \$447,532 (2015 - \$486,543) were paid to the Hospital for office

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space occupied by the Foundation, which is leased on a month-to-month basis, payroll processing, human resources and information technology systems support, insurance coverage and visitors' reserved parking at the Hospital.

8 Employee future benefits

The Healthcare of Ontario Pension Plan (HOOPP) is a multi-employer, defined benefit pension plan (the Plan). Enrolment in HOOPP is mandatory for the Foundation full-time staff on hire date and part-time staff employees may qualify for optional membership. Contributions made to the Plan during the year by the Foundation amounted to \$468,680 (2015 - \$393,197) and are included in fundraising and administrative expenses on the statement of operations and changes in fund balances. The most recent actuarial valuation of the Plan as at December 31, 2015 indicates the Plan has a 22% surplus in disclosed actuarial assets and is fully funded on a solvency basis.

Certain employees of the Foundation are entitled to non-pension post-employment benefits such as health-care, dental, life insurance and other benefits for certain retired employees. In fiscal 2015, the Foundation began to recognize its obligation for these benefits. The Foundation has accrued \$50,300 (2015 - \$64,800) for its estimated obligations based on an actuarial valuation performed in March 2016.

9 General Fund

	2016 \$	2015 \$
Unrestricted	(13,739,016)	(14,698,325)
Invested in capital assets	60,110	125,675
	<u>(13,678,906)</u>	<u>(14,572,650)</u>

The unrestricted deficiency has arisen as a result of a shortfall of funds directed to LTRI from operating and unrestricted funds in prior years to meet the budgetary needs of LTRI.

10 Endowment Fund

Endowments consist of externally restricted donations received by the Foundation and internal resources transferred by the Board of Directors, in the exercise of its discretion. With respect to the latter case, the Board of Directors may have the right to subsequently decide to remove the designation. The endowment principal is required to be maintained intact over time, subject to the Foundation's endowment policy.

Investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Directors. 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.

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The Foundation's endowment policy, for endowments other than the Lunenfeld Endowment Fund, has been established with the objective of protecting the value of the endowments by limiting the amount of income made available for spending to the payout amount and requiring the reinvestment of income not made available for payout, with the objective of increasing the combined value of donated funds and cumulative investment returns at the rate of inflation or greater, over time (preservation of capital). The payout amount is calculated on the opening fund balance, and made available for spending restricted to the purposes set out in the donor agreement, if applicable, or as stipulated by the Board of Directors. The investment policy has established a minimum target rate of return objective as the sum of the payout rate and the inflation rate, with the aim of providing steady, predictable investment returns. The payout amount made available for spending is reviewed and set by the Board of Directors annually. For 2016, the payout amount was set at 5% (2015 - 6.5%). The Lunenfeld Endowment Fund has a payout rate of actual investment income earned during the year.

In any particular year, should net investment income be insufficient to satisfy the payout amount set by the Board of Directors, or if the investment return is negative, the payout amount is funded by the accumulated reinvested income in the Endowment Fund. In general, for individual endowment funds without sufficient accumulated reinvestment income, endowment capital is used in the current year. This amount is expected to be recovered by future net investment income.

In fiscal 2016, endowment funds incurred an investment loss of \$1,488,516 (inclusive of fees and expenses of \$347,515). The payout amount recorded in the Restricted Fund at \$2,837,679 is comprised of the payout amount of 4.0% of non-Lunenfeld endowment funds and the actual return on Lunenfeld endowment funds of 1.0%. The payout amount recorded in the General Fund was \$792,709, calculated as 1% of non-Lunenfeld endowment funds. The total payout of \$3,630,388 (note 13) represents a reduction of accumulated reinvestment income on externally restricted endowments.

In fiscal 2015, investment income of \$7,757,184 (net of fees and expenses of \$408,319) was earned on endowment funds. The payout amount recorded in the Restricted Fund at \$3,120,521 is comprised of the payout amount of 4.0% of non-Lunenfeld endowment funds and the actual return on Lunenfeld endowment funds of 3.7%. The payout amount recorded in the General Fund was \$1,842,986, calculated as 2.5% of non-Lunenfeld endowment funds. The remaining \$2,793,677 represents the preservation of capital on externally restricted endowments, which was recorded as investment income in the Endowment Fund.

Major categories of restrictions on fund balances are as follows:

	2016 \$	2015 \$
Endowments, income from which must be used for research purposes	65,911,026	67,707,015
Endowments, income from which must be used for other restricted purposes	28,080,600	25,988,261
Funds restricted for research endowed by the Board of Directors	134,133	143,489
	<u>94,125,759</u>	<u>93,838,765</u>

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11 Investment income (loss)

Endowment Funds

				2016	2015
	General Fund \$	Restricted Fund \$	Endowment Fund \$	Total \$	Total \$
Investment income on Endowment Fund	-	-	1,880,786	1,880,786	2,328,995
Change in fair value of investments	-	-	(3,021,787)	(3,021,787)	5,836,508
Less: Investment and custodian fees	-	-	(1,141,001)	(1,141,001)	8,165,503
	-	-	(347,515)	(347,515)	(408,319)
Net investment income	-	-	(1,488,516)	(1,488,516)	7,757,184

General and Restricted (Non-endowed) Funds

				2016	2015
	General Fund \$	Restricted Fund \$	Endowment Fund \$	Total \$	Total \$
Investment income	158,837	-	-	158,837	216,643
Change in fair value of investments	(64,989)	-	-	(64,989)	70,477
Less: Investment and custodian fees	93,848	-	-	93,848	287,120
	(15,635)	-	-	(15,635)	(15,371)
Net investment income	78,213	-	-	78,213	271,749

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Total investment income (loss)

				2016	2015
	General Fund	Restricted Fund	Endowment Fund	Total	Total
	\$	\$	\$	\$	\$
Net investment income (Endowed Funds)	-	-	(1,488,516)	(1,488,516)	7,757,184
Net investment income (Non-endowed Funds)	78,213	-	-	78,213	271,749
	78,213	-	(1,488,516)	(1,410,303)	8,028,933

12 Grants

The grants to the Hospital were as follows:

	2016	2015
	\$	\$
Capital, clinical and other	23,064,908	25,296,998
LTRI	6,890,867	10,000,000
	29,955,775	35,296,998

13 Advance from Endowment Funds

In fiscal 2013, the Foundation provided a \$10,000,000 advance on future grants to the Hospital to support the operations of LTRI drawn from the Endowment Fund, as permitted by the endowment agreement and granted through the General Fund. The General Fund will repay the Endowment Fund through future donations and annual surpluses. As at March 31, 2016, the remaining balance to be repaid is \$5,697,639 (2015 - \$6,490,348).

14 Interfund transfers

In 2016, the Foundation transferred from the Endowment Fund \$3,630,388 with the Restricted Fund receiving \$2,837,679 and General Fund receiving \$792,709. The Restricted Fund also transferred to the General Fund \$42,524 of interest earned from the previous year.

In 2015, the Foundation transferred from the Restricted Fund to the General Fund, \$347,808 of interest earned on restricted funds.

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15 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, 2016 is \$6,203,654 (2015 - \$6,281,538), which represents a 30% share in the estate. The income included in donations, bequests and contributions of the General Fund for the year ended March 31, 2016 is \$237,000 (2015 - \$184,350).

16 Pledges receivable

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

	\$
2016/2017	25,848,622
2017/2018	20,663,018
2018/2019	26,798,733
2019/2020	14,021,190
2020 and thereafter	<u>54,234,763</u>
	<u>141,566,326</u>

17 Commitments

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, 2016, there was \$366,796 (2015 - \$366,796) of such amounts to be funded. In addition, there exists a commitment to match the annual pay-out for joint Sinai Health System-University of Toronto endowed chairs based on the closing market value of the investments at the beginning of each fiscal year. The match amount for the next fiscal year has been calculated at \$511,433. Since the match is based on the market value of investments, the amount in future years will fluctuate and is expected to increase over the long term.

18 Financial instruments

The Foundation is exposed to various financial risks through its 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 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).

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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. To manage this risk, the Foundation has an investment policy, which includes a target mix of investment types and concentration limits designed to achieve the optimum return within reasonable risk tolerances.

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. To manage this risk, the Foundation invests in a target mix of investment types in accordance with its investment policy.