

Sinai Health System Foundation

Consolidated Financial Statements

March 31, 2019



Independent auditor's report

To the Board of Directors of Sinai Health System Foundation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Sinai Health System Foundation (the Foundation) as at March 31, 2019 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.

What we have audited

The Foundation's consolidated financial statements comprise:

- the consolidated statement of financial position as at March 31, 2019;
- the consolidated statement of operations for the year then ended;
- the consolidated statement of changes in fund balances for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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

Independence

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. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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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.

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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
July 8, 2019

Sinai Health System Foundation
Consolidated Statement of Financial Position
As at March 31, 2019

	2019 \$	2018 \$
Assets		
Current assets		
Cash	3,445,863	69,942,785
Accounts receivable	374,775	846,838
Prepaid expenses	402,034	49,858
Investments (note 3)	42,178,112	74,119
	46,400,784	70,913,600
Investments (note 3)	115,472,881	76,453,741
Investment in The Sinai Trust 2017 (note 4)	-	-
Capital assets (note 5)	120,290	116,157
	161,993,955	147,483,498
Liabilities		
Current liabilities		
Bank indebtedness (note 6)	4,750,000	5,000,000
Accounts payable and accrued liabilities	941,300	854,840
Due to Sinai Health System (note 7)	3,565,503	2,034,369
Deferred revenue	511,614	559,258
	9,768,417	8,448,467
Due to Sinai Health System (note 7)	5,271,407	4,721,343
Employee future benefits (note 8)	83,800	71,000
	15,123,624	13,240,810
Fund Balances		
General Fund (note 9)	(12,843,052)	(12,785,761)
Restricted Fund	45,161,751	37,515,782
Endowment Fund (note 10)	114,551,632	109,512,667
	146,870,331	134,242,688
	161,993,955	147,483,498
Commitments (note 16)		

Approved by the Board of Directors

DocuSigned by:
David Cynamon

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Director

DocuSigned by:

Howard Sokolowski

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Director

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

Sinai Health System Foundation

Consolidated Statement of Operations

For the year ended March 31, 2019

				2019	2018
	General Fund \$	Restricted Fund \$	Endowment Fund \$	Total \$	Total \$
Income					
Donations, bequests and contributions	9,280,593	24,307,119	4,514,565	38,102,277	35,670,397
Events revenue	283,638	3,706,898	-	3,990,536	3,910,206
Other revenue	1,182,514	290,212	-	1,472,726	1,172,951
Interest	1,067,262	-	48,571	1,115,833	637,480
	11,814,007	28,304,229	4,563,136	44,681,372	41,391,034
Investment income (note 11)	1,121,213	3,940,421	628,859	5,690,493	3,209,354
	12,935,220	32,244,650	5,191,995	50,371,865	44,600,388
Expenses					
Events	939,186	469,670	-	1,408,856	1,160,418
Fundraising and administrative	10,843,106	168,184	-	11,011,290	8,245,915
	11,782,292	637,854	-	12,420,146	9,406,333
Surplus before the undernoted	1,152,928	31,606,796	5,191,995	37,951,719	35,194,055
Income from The Sinai Trust 2017 (note 4)	373,353	-	-	373,353	1,909,136
Grants (note 12)	(1,239,557)	(24,460,872)	-	(25,700,429)	(19,272,253)
Surplus for the year	286,724	7,145,924	5,191,995	12,624,643	17,830,938

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

Sinai Health System Foundation
Consolidated Statement of Changes in Fund Balances
For the year ended March 31, 2019

				2019	2018
	General Fund \$ (note 9)	Restricted Fund \$	Endowment Fund \$ (note 10)	Total \$	Total \$
Fund balances – Beginning of year	(12,785,761)	37,515,782	109,512,667	134,242,688	116,404,350
Surplus for the year	286,724	7,145,924	5,191,995	12,624,643	17,830,938
Employee future benefits remeasurement	3,000	-	-	3,000	7,400
Interfund transfers (note 14)	(347,015)	500,045	(153,030)	-	-
Fund balances – End of year	(12,843,052)	45,161,751	114,551,632	146,870,331	134,242,688

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

Sinai Health System Foundation

Consolidated Statement of Cash Flows

For the year ended March 31, 2019

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Surplus for the year	12,624,643	17,830,938
Items not involving cash		
Amortization of capital assets	24,070	18,189
Amortization of deferred lease inducements	-	(4,065)
Employee future benefit expense	15,800	41,400
Reinvested investment income	(2,572,911)	(1,849,297)
Income from The Sinai Trust 2017 investment	-	(1,909,136)
Gift of short-term investments	-	(43,874)
Change in fair value of derivatives	-	(103,537)
Change in fair value of short-term investments	(260,397)	-
Change in fair value of investments	(3,619,806)	(484,368)
	<u>6,211,399</u>	<u>13,496,250</u>
Net changes in non-cash working capital items		
Accounts receivable	472,063	(107,566)
Prepaid expenses	(352,176)	(9,258)
Due to Sinai Health System	2,081,198	(453,091)
Accounts payable and accrued liabilities	86,459	530,225
Deferred revenue	(47,644)	559,258
	<u>8,451,299</u>	<u>14,015,818</u>
Financing activities		
Repayment of bank indebtedness	(250,000)	(500,000)
Investing activities		
Purchase of capital assets	(28,203)	(95,620)
Purchase of short-term investments	(44,939,810)	-
Proceeds from sale of short-term investments	3,096,214	-
Purchase of investments	(81,080,374)	22,745,119
Proceeds from sale of investments	48,253,952	-
Distributions received from The Sinai Trust 2017	-	1,450,000
	<u>(74,698,221)</u>	<u>24,099,499</u>
Change in cash during the year	(66,496,922)	37,615,317
Cash – Beginning of year	<u>69,942,785</u>	<u>32,327,468</u>
Cash – End of year	<u>3,445,863</u>	<u>69,942,785</u>
Supplementary information		
Interest paid	207,374	152,448

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

Sinai Health System Foundation

Notes to Consolidated Financial Statements

March 31, 2019

1 Purpose of the organization

Sinai 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 is a public foundation registered under the Income Tax Act (Canada) 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

Basis of presentation and consolidation

These consolidated financial statements include the assets, liabilities, revenue and expenses of the Foundation and its subsidiary, the Benjamin Herbert Birstein Trust #2, in which the Foundation has effective control.

Management has prepared these consolidated financial statements 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 consolidated 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.

Sinai Health System Foundation

Notes to Consolidated Financial Statements

March 31, 2019

c) **Endowment Fund**

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

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 in the consolidated statement of operations.

Investment in The Sinai Trust 2017 (the 2017 Trust)

The Foundation controls the 2017 Trust, a private enterprise that develops, operates and invests in commercial opportunities. The Foundation has chosen to use the equity method to account for its share of the annual operating results of the 2017 Trust.

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 consolidated statement of operations.

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 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

Sinai Health System Foundation

Notes to Consolidated Financial Statements

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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.

Contributed goods and services

Contributed goods and services are not recognized in the consolidated 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

When a capital asset no longer has any long-term service potential to the Foundation, the excess of its net carrying amount over any residual value is recognized as an expense in the consolidated statement of operations. A writedown is not reversed.

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
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 consolidated statement of operations for the year.

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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 and expected health-care and dental costs. Actuarial gains and losses arise when the accrued benefit obligations change during the year. Actuarial gains and losses are recorded directly in fund balances.

Use of estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

3 Investments

	2019 \$	2018 \$
Short-term		
Guaranteed investment certificates	42,162,643	-
Donated securities	15,469	74,119
	<u>42,178,112</u>	<u>74,119</u>
Long-term		
Pooled funds	23,343,656	42,542,850
Bonds and debentures	35,728,702	8,019,006
Equities		
Canadian	23,489,378	11,393,433
US	22,045,734	13,245,414
International	2,423,869	-
Alternative strategies	7,156,037	-
Other	1,157,786	1,125,319
State of Israel bonds	127,719	127,719
	<u>115,472,881</u>	<u>76,453,741</u>

Pooled funds consist of cash and a short-term investment totalling \$68,996 (2018 – \$4,824,548), bonds of \$19,879,365 (2018 – \$19,972,187), Canadian equities of \$nil (2018 – \$6,633,019), US equities of \$nil (2018 – \$10,632,158), international equities of \$nil (2018 – \$1,071,530) and alternative strategies of \$3,395,295 (2018 – \$175,706).

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.

Sinai Health System Foundation

Notes to Consolidated Financial Statements

March 31, 2019

4 Investment in The Sinai Trust 2017

The 2017 Trust is a profit-oriented private entity, whose purpose is to develop, operate and invest in commercial activities. It was created on June 29, 2017, and began operations on September 29, 2017, when there was a transfer of several businesses by another related trust.

The audited financial statements as at March 31, 2019 of the 2017 Trust have not been issued yet. The information below reflects the financial results in the draft financial statements as reported on by the 2017 Trust's management and is not included in the consolidated financial statements of the Foundation:

	2019 \$ (unaudited)	2018 \$ (unaudited)
Assets	28,770,060	31,941,217
Liabilities	28,237,309	30,808,877
Equity	<u>532,751</u>	<u>1,132,340</u>
Operating results		
Revenue	18,756,981	10,043,355
Cost of goods sold	<u>(9,481,077)</u>	<u>(4,631,340)</u>
Gross profit	9,275,904	5,412,015
Operating expenses	(8,718,560)	(3,562,653)
Amortization of intangible assets	(1,268,950)	-
Interest income	<u>282,486</u>	<u>59,774</u>
Net income for the period	<u>(429,120)</u>	<u>1,909,136</u>
Cash flows		
Operating	3,065,796	8,679,733
Financing	(1,013,155)	12,413,205
Investing	<u>(5,593,809)</u>	<u>(12,407,149)</u>
Change in cash during the period	<u>(3,541,168)</u>	<u>8,685,789</u>
Investment consists of		
Balance – Beginning of year	-	-
Foundation's share of the 2017 Trust net income (i)	-	1,909,136
Distributions received from the 2017 Trust (ii)	<u>-</u>	<u>(1,909,136)</u>
Balance – End of year	<u>-</u>	<u>-</u>

Sinai Health System Foundation

Notes to Consolidated Financial Statements

March 31, 2019

- (i) As the 2017 Trust incurred a loss during the year, the Foundation did not recognize the loss as the Foundation is solely a beneficiary and has no obligation to fund the 2017 Trust.
- (ii) Distributions received during the year were recorded as income from The Sinai Trust 2017 in the consolidated statement of operations as the investment balance is \$nil.

5 Capital assets

			2019	2018
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Leasehold improvements	345,268	273,568	71,700	68,361
Furniture and fixtures	126,940	100,097	26,843	31,683
Computer hardware and software	414,026	392,279	21,747	16,113
	886,234	765,944	120,290	116,157

6 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, 2019, the Foundation utilized \$4,750,000 (2018 – \$5,000,000) of the operating line of credit.

7 Related party balances and transactions

The Hospital is an independent corporation without share capital and has an independent board of directors. The Hospital is affiliated with the Foundation as a result of there being some common board members between the two organizations. Amounts owing to the Hospital include:

	2019 \$	2018 \$
Payable to the Hospital		
Lunenfeld-Tanenbaum Research Institute (LTRI)	4,721,343	4,746,343
Other payables	4,115,567	2,009,369
	8,836,910	6,755,712
Less: Current portion	3,565,503	2,034,369
	5,271,407	4,721,343

In October 2007, an agreement was made with the Hospital to provide operating grants of \$7,700,144 to LTRI. The agreement was amended in March 2015, for which annual payments are equal to a minimum of \$25,000 plus 1% annual interest. The outstanding payable relating to this agreement is \$4,721,343 (2018 – \$4,746,343).

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Notes to Consolidated Financial Statements

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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 \$495,727 (2018 – \$485,322) were paid to the Hospital for office 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.

The Foundation manages Bridgepoint Foundation under a shared services agreement. Under the agreement, the Foundation provides services that are reimbursed at regular intervals throughout the year. For the year ended March 31, 2019, the Foundation recognized revenue of \$300,000 (2018 – \$37,909) for such services.

The Foundation also manages Arthritis Research Foundation under a shared services agreement. Under the agreement, the Foundation provides services that are reimbursed at regular intervals throughout the year. For the year ended March 31, 2019, the Foundation recognized revenue of \$549,025 (2018 – \$20,000) for such services.

As at August 18, 2017, the Foundation manages the 2017 Trust under a shared services agreement. Under the agreement, the Foundation provides services that are reimbursed at regular intervals throughout the year. For the year ended March 31, 2019, the Foundation recognized as income \$nil (2018 – \$40,000) for such services.

The Foundation received \$400,000 (2018 – \$nil) from Mount Sinai Services Inc. that was recognized as other income in the current year.

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's 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 \$530,832 (2018 – \$441,073) and are included in fundraising and administrative expenses on the consolidated statement of operations. The most recent actuarial valuation of the Plan as at December 31, 2016, indicates the Plan has a 122% surplus in disclosed actuarial assets and is fully funded on a solvency basis.

Certain retired employees of the Foundation are entitled to non-pension post-employment benefits such as health-care, dental, life insurance and other benefits. The Foundation has accrued \$83,800 (2018 – \$71,000) for its estimated obligations based on an actuarial valuation performed in March 2018.

Sinai Health System Foundation

Notes to Consolidated Financial Statements

March 31, 2019

9 General Fund

	2019 \$	2018 \$
Unrestricted	(12,963,342)	(12,901,918)
Invested in capital assets	120,290	116,157
	<u>(12,843,052)</u>	<u>(12,785,761)</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.

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 2019, the payout amount was set at 5.0% (2018 – 5.0%). 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.

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In fiscal 2019, investment income of \$5,690,493 (net of fees and expenses of \$495,092) (2018 – \$3,209,354 (net of fees and expenses of \$264,248)) was earned on endowment funds. The payout amounts recorded in the Restricted Fund at \$3,940,421 (2018 – \$3,221,630) consists of the payout amount of 4.0% (2018 – 4.0%) of non-Lunenfeld endowment funds and of 3.22% (2018 – nil%) of Lunenfeld endowment funds. The payout amount recorded in the General Fund was \$952,618 (2018 – \$863,042), calculated as 1.0% (2018 – 1.0%) of non-Lunenfeld endowment funds. The remaining \$677,430 (2018 – \$nil) represents the preservation of capital on externally restricted endowments, which was recorded as investment income on externally restricted endowments.

Major categories of restrictions on fund balances are as follows:

	2019 \$	2018 \$
Endowments, income from which must be used for research purposes	73,180,837	76,548,356
Endowments, income from which must be used for other restricted purposes	41,232,739	32,826,723
Funds restricted for research endowed by the Board of Directors	138,056	137,588
	<u>114,551,632</u>	<u>109,512,667</u>

11 Investment income

				2019	2018
	General Fund \$	Restricted Fund \$	Endowment Fund \$	Total \$	Total \$
Investment income on Endowment Fund	137,717	2,705,529	-	2,843,246	2,217,686
Change in fair value of investments	1,000,138	1,234,892	1,107,309	3,342,339	1,255,916
	1,137,855	3,940,421	1,107,309	6,185,585	3,473,602
Less: Investment and custodian fees	(16,642)	-	(478,450)	(495,092)	(264,248)
Net investment income	<u>1,121,213</u>	<u>3,940,421</u>	<u>628,859</u>	<u>5,690,493</u>	<u>3,209,354</u>

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Notes to Consolidated Financial Statements

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12 Grants

The grants to the Hospital were as follows:

	2019 \$	2018 \$
Capital, clinical and other	13,700,105	16,063,721
LTRI	12,000,324	3,208,532
	<u>25,700,429</u>	<u>19,272,253</u>

13 Advance from the Endowment Fund

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, 2019, the remaining balance to be repaid is \$3,154,221 (2018 – \$4,040,414).

14 Interfund transfers

In fiscal 2019, the Foundation transferred \$347,015 from the General Fund to the Restricted Fund for internally restricted donations. The Endowment Fund transferred \$553,370 to the Restricted Fund representing donations for prior year. The Restricted Fund transferred \$400,340 to the Endowment Fund for prior year restricted donations received, which were subsequently converted to endowed funds by the donors.

15 Pledges receivable

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

	\$
2019/2020	22,157,954
2020/2021	20,895,454
2021/2022	16,417,504
2022 and thereafter	53,104,683
	<u>112,575,595</u>

16 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, 2019, there was \$366,796 (2018 – \$366,796) of such amounts to be funded. In addition, there exists a commitment to match the annual payout 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 \$259,070. 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.

Sinai Health System Foundation

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March 31, 2019

17 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.

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, and only does business with reputable financial institutions.

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 risk, 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.

18 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.