

**Mount Sinai Hospital Foundation
of Toronto**

Financial Statements
March 31, 2009

May 20, 2009

Auditors' Report

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

We have audited the balance sheet of **Mount Sinai Hospital Foundation of Toronto** as at March 31, 2009 and the statement of revenue and expenses and changes in fund balances for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2009 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, 2009

	2009 \$	2008 \$
ASSETS		
Cash	599,813	1,892,480
Accounts receivable and prepaid expenses	164,897	281,983
Investments - at market value (notes 3 and 6)	58,349,943	58,035,192
Foreign currency forward contract asset	-	259,546
Capital assets - net (note 4)	253,030	288,982
	<u>59,367,683</u>	<u>60,758,183</u>
LIABILITIES AND FUND BALANCES		
Accounts payable and accrued liabilities (note 5)	16,390,333	16,683,543
Foreign currency forward contract liability	1,991,909	-
Funds held under administration (note 6)	874,122	860,210
	<u>19,256,364</u>	<u>17,543,753</u>
Fund balances		
General Fund (note 7)	(9,119,908)	(9,419,908)
Endowment Fund (note 8)	49,231,227	52,634,338
	<u>40,111,319</u>	<u>43,214,430</u>
	<u>59,367,683</u>	<u>60,758,183</u>

Approved by the Board of Directors

_____ Director

_____ Director

Mount Sinai Hospital Foundation of Toronto

Statement of Revenue and Expenses and Changes in Fund Balances

For the year ended March 31, 2009

	General Fund		Restricted Fund		Endowment Fund		Total	
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$ (note 10)	2008 \$ (note 10)	2009 \$	2008 \$
REVENUE								
Donations, bequests and contributions	6,343,495	4,853,240	28,097,570	26,360,298	8,235,700	871,332	42,676,765	32,084,870
Events - net of expenses (note 9)	158,578	430,770	1,532,439	1,567,400	5,000	-	1,696,017	1,998,170
	6,502,073	5,284,010	29,630,009	27,927,698	8,240,700	871,332	44,372,782	34,083,040
Investment income (loss) (notes 3 and 10)	41,141	96,915	140,466	266,707	(8,245,288)	1,000,088	(8,063,681)	1,363,710
	6,543,214	5,380,925	29,770,475	28,194,405	(4,588)	1,871,420	36,309,101	35,446,750
EXPENSES								
Fundraising and administrative	5,571,673	5,089,876	-	-	-	-	5,571,673	5,089,876
Excess of revenue over expenses before grants	971,541	291,049	29,770,475	28,194,405	(4,588)	1,871,420	30,737,428	30,356,874
GRANTS (note 11)	723,511	175,063	29,688,113	28,015,833	3,428,915	4,592,501	33,840,539	32,783,397
Excess (deficiency) of revenue over expenses and grants for the year	248,030	115,986	82,362	178,572	(3,433,503)	(2,721,081)	(3,103,111)	(2,426,523)
Fund balances - Beginning of year	(9,419,908)	(9,719,908)	-	-	52,634,338	55,360,861	43,214,430	45,640,953
Interfund transfers	51,970	184,014	(82,362)	(178,572)	30,392	(5,442)	-	-
FUND BALANCES - END OF YEAR	(9,119,908)	(9,419,908)	-	-	49,231,227	52,634,338	40,111,319	43,214,430

Mount Sinai Hospital Foundation of Toronto

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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.

c) Endowment Fund

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

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Investments

Investments, including investments denominated in US dollars, are recorded at market 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.

Financial instruments

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 and prepaid expenses (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.

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 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.

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

Foreign currency forward contracts

The Foundation may enter into foreign currency forward contracts for economic hedging purposes where such activity is consistent with its investment objectives. This can include the hedging of all or a portion of the currency exposure of an existing investment or group of investments. A forward currency contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. These economic hedges are not considered hedges for accounting purposes.

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The fair value of a foreign currency forward contract on any valuation day is the amount of gain or loss that would be realized if the contract were closed out or delivered on the valuation day. Foreign currency forward contracts are recorded at fair value as assets or liabilities in the balance sheet and changes in fair value are included in the net change in unrealized gain on foreign currency forward contract in the statement of revenue and expenses and changes in fund balances. Fair value of foreign currency forward contracts are determined using valuation techniques that use inputs based on observable market data.

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.

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.

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.

New accounting pronouncements

For financial statements relating to fiscal years beginning on or after October 1, 2007, specifically April 1, 2008 for the Foundation, the Foundation has adopted the following sections of The Canadian Institute of Chartered Accountants (CICA) Handbook:

- Section 3865, Hedges

Section 3865 expands the guidelines found in Accounting Guideline 13, Hedging Relationships, and describes when and how hedge accounting can be applied as well as the disclosure requirements.

This standard will impact the disclosures provided by the Foundation but will not affect its financial position or results of operations.

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- Section 1535, Capital Disclosures

Effective April 1, 2008, the Foundation adopted CICA Handbook Section 1535, Capital Disclosures. This standard requires that an entity disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. This standard impacts the Foundation's disclosures, but does not affect its results or financial position.

- Sections 3862 and 3863, Financial Instruments - Disclosures and Presentation

On October 2, 2008, the Accounting Standards Board (AcSB) announced that the application of the following standards was voluntary for not-for-profit organizations: Section 3862, Financial Instruments - Disclosures and Section 3863, Financial Instruments - Presentation. These standards enhance the disclosure and presentation of financial instruments and the Foundation has chosen not to adopt these standards as management does not believe that the additional disclosures would provide additional useful information to the users of the financial statements.

Future accounting changes

The AcSB has approved amendments to several of the standards dealing with not-for-profit organizations in the 4400 series of the Handbook sections. These amendments include:

- reporting certain revenues gross in the statement of revenue and expenses and changes in fund balances;
- when a not-for-profit organization classifies its expenses by function and allocates some of its fundraising and general support costs to another function, disclosing the policy adopted for expenses and amounts allocated from each of these two functions to other functions will be required;
- the elimination of the requirement to treat invested in capital assets as a separate component of net assets; and
- the requirement to assess capital assets periodically for impairment.

The changes are effective for years beginning on or after January 1, 2009, with earlier adoption permitted. As a result, the Foundation has decided to adopt the new standard with respect to amounts invested in capital assets, which have been included in unrestricted net assets in the current year. The other changes are not expected to have a significant impact on the Foundation.

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Notes to Financial Statements

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3 INVESTMENTS

	2009	2008
	\$	\$
Cash and short-term investments	12,418,301	8,393,786
State of Israel bonds	2,690,922	2,895,977
Bonds and debentures	24,872,623	20,277,179
Equities		
Canadian	10,038,509	16,985,887
US	5,790,984	7,589,616
International	2,538,604	1,892,747
	<u>58,349,943</u>	<u>58,035,192</u>

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

Included in investments are US dollar denominated securities comprised of equities of US\$4,805,935 (2008 - US\$7,402,960) and State of Israel bonds of US\$95,000 (2008 - US\$188,000).

The Foundation has historically used foreign currency contracts to mitigate the impact of foreign currency fluctuations on a portion of its US dollar denominated investment portfolio. The notional amount of the contracts at year-end is \$7,600,000 (two contracts for \$3,800,000 each) and they will be settled on May 1, 2009 at rates of 0.9885 and 1.0095, respectively. The fair market value of these contracts at year-end was a liability in the amount of \$1,991,909 (2008 - asset of \$259,546).

4 CAPITAL ASSETS

	2009		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Leasehold improvements	202,615	55,141	147,474
Furniture and fixtures	74,581	21,280	53,301
Computer hardware and software	284,251	231,996	52,255
	<u>561,447</u>	<u>308,417</u>	<u>253,030</u>

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	2008		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	\$
Leasehold improvements	192,231	35,136	157,095
Furniture and fixtures	74,581	13,821	60,760
Computer hardware and software	263,872	192,745	71,127
	<u>530,684</u>	<u>241,702</u>	<u>288,982</u>

5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009	2008
	\$	\$
Payable to Mount Sinai Hospital		
Capital and clinical grants	8,904,374	8,760,752
Samuel Lunenfeld Research Institute	6,731,205	6,794,622
Other payables	36,189	266,326
	<u>15,671,768</u>	<u>15,821,700</u>
Payable to others	362,673	384,377
Deferred revenue and other liabilities	355,892	477,466
	<u>16,390,333</u>	<u>16,683,543</u>
Payable to Mount Sinai Hospital		
Amounts for which specific funding conditions have been satisfied	6,774,731	7,130,691
Amounts for which specific funding conditions have not yet been satisfied	8,897,037	8,691,009
	<u>15,671,768</u>	<u>15,821,700</u>

Mount Sinai Hospital provides certain services to the Foundation and pays certain expenses on behalf of the Foundation. The Foundation reimburses Mount Sinai Hospital for all direct costs associated with the services provided and expenses paid. Administrative expenses include a charge of \$170,303 (2008 - \$169,254) paid to Mount Sinai Hospital for office space occupied by the Foundation.

6 FUNDS HELD UNDER ADMINISTRATION

The Foundation administers investments on behalf of the Hospital departments. These funds are included in investments on the balance sheet and are managed as part of the investment portfolio as a whole.

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7 GENERAL FUND

	2009 \$	2008 \$
Unrestricted	(9,372,938)	(9,708,890)
Invested in capital assets	253,030	288,982
	<u>(9,119,908)</u>	<u>(9,419,908)</u>

The General Fund 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.

As reported in note 13, the General Fund does not reflect pledges receivable.

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. At March 31, 2009, there was \$366,796 (2008 - \$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.

Major categories of restrictions on fund balances are as follows:

	2009 \$	2008 \$
Endowments, the income from which must be used for research purposes	33,638,360	26,924,011
Endowments, the income from which must be used for other restricted purposes	21,694,481	21,702,810
	<u>55,332,841</u>	<u>48,626,821</u>
Funds restricted for research endowed by the Board	1,537,064	1,438,496
Investment gain (including unrealized gains and losses) recorded in the Endowment Fund	(7,638,678)	2,569,021
	<u>49,231,227</u>	<u>52,634,338</u>

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9 EVENTS

During the year, the Foundation generated gross revenue from events of \$2,084,714 (2008 - \$2,810,083) and incurred expenses of \$388,697 (2008 - \$811,913). The net revenue of \$1,696,017 (2008 - \$1,998,170) is included in the statement of revenue and expenses and changes in fund balances.

10 INVESTMENT INCOME (LOSS)

	2009			
	General Fund \$	Restricted Fund \$	Endowment Fund \$	Total \$
Interest and dividends	41,141	166,896	1,999,953	2,207,990
Net changes in unrealized loss on investments	-	(1,178)	(7,924,171)	(7,925,349)
Net changes in unrealized loss on foreign currency forward contracts	-	-	(1,991,909)	(1,991,909)
	41,141	165,718	(7,916,127)	(7,709,268)
Less: Custodian fees	-	(25,252)	(329,161)	(354,413)
	41,141	140,466	(8,245,288)	(8,063,681)
	2008			
	General Fund \$	Restricted Fund \$	Endowment Fund \$	Total \$
Interest and dividends	96,915	296,149	2,398,392	2,791,465
Net changes in unrealized loss on investments	-	-	(1,343,126)	(1,343,126)
Net changes in unrealized gain on foreign currency forward contracts	-	-	259,546	259,546
	96,915	296,149	1,314,812	1,707,876
Less: Investment and custodian fees	-	(29,442)	(314,724)	(344,166)
	96,915	266,707	1,000,088	1,363,710

During the year, the Foundation entered into two foreign currency forward contracts to sell US\$7,600,000 for a Canadian equivalent of \$7,592,400 on April 30, 2009. The fair value of the contracts as at March 31, 2009 was a loss of \$1,991,909.

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11 GRANTS

	2009 \$	2008 \$
Capital, clinical and other	23,710,503	24,105,413
Samuel Lunenfeld Research Institute	10,130,036	8,677,984
	<u>33,840,539</u>	<u>32,783,397</u>

12 ENTITLEMENTS

The Foundation is the income beneficiary of an estate, which is administered by a major Canadian trust company. The market value of the Foundation's portion of the estate as of March 31, 2009 is \$4,400,810 (2008 - \$4,960,720), which represents a 30% share in the estate. The income included in the bequests, donations and contributions for the year ended March 31, 2009 is \$209,883 (2008 - \$203,700).

13 PLEDGES RECEIVABLE

The Foundation records pledge revenue as it is received. At the end of the fiscal year, pledges receivable by the Foundation are as follows:

	\$
2009/2010	21,684,592
2010/2011	16,194,903
2011/2012	12,837,380
2012/2013	14,903,287
2013 and thereafter	50,863,527
	<u>116,483,689</u>

14 COMMITMENTS

In 2006, Mount Sinai Hospital entered into a contract to lease office space for annual rental commitments of \$125,000 for a term of ten years. The leased space is occupied by the Foundation, which reimburses the Hospital for the costs incurred in respect of the lease on a month-to-month basis.

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15 CAPITAL MANAGEMENT

The Foundation considers its capital to be comprised of its 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 Fund. These restrictions are monitored and the Foundation is currently of the view that it is in compliance with these external restrictions.

16 COMPARATIVE FIGURES

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