

**Mount Sinai Hospital Foundation
of Toronto**

Financial Statements
March 31, 2007

May 16, 2007

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, 2007 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, 2007 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, 2007

	2007 \$	2006 \$
ASSETS		
Cash	1,346,180	1,650,398
Accounts receivable and prepaid expenses	458,125	506,781
Investments - at market value (notes 3 and 6)	64,257,434	57,151,352
Capital assets - net (note 4)	327,327	92,966
	<u>66,389,066</u>	<u>59,401,497</u>
LIABILITIES AND FUND BALANCES		
Accounts payable and accrued liabilities (note 5)	19,909,311	14,651,202
Funds held under administration (note 6)	838,802	817,169
	<u>20,748,113</u>	<u>15,468,371</u>
Fund balances		
General Fund (note 9)	(9,719,908)	(10,036,534)
Endowment Fund (note 10)	55,360,861	53,969,660
	<u>45,640,953</u>	<u>43,933,126</u>
	<u>66,389,066</u>	<u>59,401,497</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, 2007

	General Fund		Restricted Fund		Endowment Fund		Total	
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$ (note 10)	2006 \$ (note 10)	2007 \$	2006 \$
REVENUE								
Donations, bequests and contributions	7,491,345	8,978,116	22,072,942	14,533,134	574,447	1,599,903	30,138,734	25,111,153
Events - net of expenses (note 7)	605,473	451,381	1,271,181	825,517	-	8,261	1,876,654	1,285,159
Investment income (note 3)	90,034	72,718	234,998	165,613	2,526,890	3,006,301	2,851,922	3,244,632
Net changes in unrealized gain on investments	-	-	-	-	473,697	2,138,381	473,697	2,138,381
Net changes in unrealized gain on forward foreign currency contract	-	-	-	-	(152,160)	218,000	(152,160)	218,000
	8,186,852	9,502,215	23,579,121	15,524,264	3,422,874	6,970,846	35,188,847	31,997,325
EXPENSES								
Fundraising and administrative	5,333,118	4,444,912	-	-	-	-	5,333,118	4,444,912
Excess of revenue over expenses before grants	2,853,734	5,057,303	23,579,121	15,524,264	3,422,874	6,970,846	29,855,729	27,552,413
GRANTS (note 8)	2,478,734	4,693,700	23,634,583	15,430,931	2,034,585	1,579,729	28,147,902	21,704,360
Excess (deficiency) of revenue over expenses and grants for the year	375,000	363,603	(55,462)	93,333	1,388,289	5,391,117	1,707,827	5,848,053
Fund balances - Beginning of year	(10,036,534)	(10,454,823)	-	-	53,969,660	48,539,896	43,933,126	38,085,073
Interfund transfers	(58,374)	54,686	55,462	(93,333)	2,912	38,647	-	-
FUND BALANCES - END OF YEAR	(9,719,908)	(10,036,534)	-	-	55,360,861	53,969,660	45,640,953	43,933,126

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.

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 U.S. 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.

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
Office equipment	10 years
Computer hardware and software	3 years

Forward foreign currency contracts

The Foundation may enter into forward foreign currency contracts for 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.

The value of a forward foreign currency contract on any valuation day is the gain or loss that would be realized if the contract were closed out or delivered on the valuation day. Fluctuations in the value of a forward foreign currency contract are recorded as investments in the balance sheet and are included in the net change in unrealized gain on forward foreign currency contract in the statement of revenue and expenses and changes in fund balances.

The Foundation has historically used foreign currency contracts to neutralize the impact of foreign currency fluctuations on a portion of its U.S. dollar denominated investment portfolio.

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Notes to Financial Statements

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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.

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.

3 INVESTMENTS

	2007 \$	2006 \$
Cash and short-term investments	13,086,629	6,878,489
State of Israel bonds	3,406,180	4,480,942
Bonds and debentures	21,515,726	20,919,924
Equities		
Canadian	15,881,841	14,976,705
U.S.	8,237,346	7,773,374
International	2,281,872	1,903,918
Forward foreign currency contract	(152,160)	218,000
	<u>64,257,434</u>	<u>57,151,352</u>

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

The investment income included in the statement of revenue and expenses and changes in fund balances is net of investment fees of \$312,883 (2006 - \$270,291).

Included in investments are U.S. dollar denominated securities comprised of equities of US\$7,338,649 (2006 - US\$6,658,413) and State of Israel bonds of US\$198,500 (2006 - US\$632,500).

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4 CAPITAL ASSETS

	2007		
	Cost \$	Accumulated amortization \$	Net \$
Leasehold improvements	192,231	15,908	176,323
Office equipment	72,814	6,237	66,577
Computer hardware and software	220,430	136,003	84,427
	<u>485,475</u>	<u>158,148</u>	<u>327,327</u>
	2006		
	Cost \$	Accumulated amortization \$	Net \$
Leasehold improvements	-	-	-
Office equipment	-	-	-
Computer hardware and software	164,484	71,518	92,966
	<u>164,484</u>	<u>71,518</u>	<u>92,966</u>

5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2007 \$	2006 \$
Payable to Mount Sinai Hospital		
Capital and clinical grants	11,203,509	6,335,219
Samuel Lunenfeld Research Institute	7,937,047	7,700,144
Other payables	175,581	310,569
	<u>19,316,137</u>	<u>14,345,932</u>
Payable to others	269,630	169,350
Deferred revenue and other liabilities	323,544	135,920
	<u>19,909,311</u>	<u>14,651,202</u>
Payable to Mount Sinai Hospital		
Amounts for which specific funding conditions have been satisfied	8,928,082	7,901,441
Amounts for which specific funding conditions have not yet been satisfied	10,388,055	6,444,491
	<u>19,316,137</u>	<u>14,345,932</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 Mount Sinai Hospital for all direct costs associated with the services provided and expenses paid. Administrative expenses include a charge of \$108,436 (2006 - \$nil) 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.

7 EVENTS

During the year, the Foundation generated gross revenue from events of \$2,270,504 (2006 - \$1,640,116) and incurred expenses of \$393,850 (2006 - \$354,957). The net revenue of \$1,876,654 (2006 - \$1,285,159) is included in the statement of revenue and expenses and changes in fund balances.

8 GRANTS

	2007 \$	2006 \$
Capital, clinical and other	19,717,429	15,365,008
Samuel Lunenfeld Research Institute	8,430,473	6,339,352
	<u>28,147,902</u>	<u>21,704,360</u>

9 GENERAL FUND

	2007 \$	2006 \$
Unrestricted	(10,047,235)	(10,129,500)
Invested in capital assets	327,327	92,966
	<u>(9,719,908)</u>	<u>(10,036,534)</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 11, the General Fund does not reflect pledges receivable.

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10 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, 2007, there was \$484,280 (2006 - \$484,280) 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:

	2007 \$	2006 \$
Endowments, the income from which must be used for research purposes	28,700,660	28,014,362
Endowments, the income from which must be used for other restricted purposes	21,334,116	21,629,518
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Funds restricted for research endowed by the Board	50,034,776	49,643,880
Investment gain (including unrealized gains and losses) recorded in the Endowment Fund (stabilization fund)	1,464,285	1,463,760
	3,861,800	2,862,020
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	55,360,861	53,969,660
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11 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:

	\$
2007/2008	22,005,717
2008/2009	16,162,321
2009/2010	12,746,838
2010/2011	11,979,740
2011 and thereafter	56,405,210
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	119,299,826
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12 FINANCIAL ASSETS AND LIABILITIES

The Foundation's financial instruments are included in the balance sheet and are comprised of cash, accounts receivable and prepaid expenses, investments, accounts payable and accrued liabilities. The fair values of these instruments approximate their carrying amounts due to the short-term maturity of these instruments.

During the year, the Foundation entered into a forward foreign currency contract to sell US\$3,500,000 for a Canadian equivalent of \$3,885,000 on April 27, 2007. The fair value of the contract as at March 31, 2007 was (\$152,160).

13 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, 2007 is \$5,294,088 (2006 - \$5,101,935), which represents a 30% share in the estate. The income included in the bequests, donations and contributions for the year ended March 31, 2007 is \$181,500 (2006 - \$120,000).

14 COMMITMENTS

During the year, 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.

15 COMPARATIVE FINANCIAL STATEMENTS

In preparing these financial statements, investment income earned on Endowment Fund resources has been recognized as revenue of the Endowment Fund and grants associated with disbursements of Endowment Fund resources have been recognized as grants from the Endowment Fund. In prior years, investment income earned on Endowment Fund resources and the associated grants in respect of Endowment Fund resources were recorded as investment income and grants of the Restricted Fund, respectively. Comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2007 financial statements in respect of this matter.