

Mount Sinai Hospital Foundation of Toronto

Financial Statements
March 31, 2012



May 24, 2012

Independent Auditor's Report

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

We have audited the accompanying financial statements of Mount Sinai Hospital Foundation of Toronto, which comprise the balance sheet as at March 31, 2012 and the statement of revenue and expenses and changes in fund balances for the year ended March 31, 2012, 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mount Sinai Hospital Foundation of Toronto as at March 31, 2012 and the results of its operations and its cash flows for the year ended March 31, 2012 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Mount Sinai Hospital Foundation of Toronto

Balance Sheet

As at March 31, 2012

	2012 \$	2011 \$
Assets		
Current assets		
Cash	7,463,661	5,130,749
Accounts receivable	132,188	106,867
Due from Mount Sinai Hospital (note 4)	1,333,000	-
Prepaid expenses	59,557	141,467
Investments (note 3)	-	1,892,948
	<u>8,988,406</u>	<u>7,272,031</u>
Investments (note 3)	59,817,589	62,520,773
Due from Mount Sinai Hospital (note 4)	667,000	2,000,000
Capital assets (note 5)	<u>142,257</u>	<u>161,466</u>
Total assets	<u>69,615,252</u>	<u>71,954,270</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	499,950	521,387
Due to Mount Sinai Hospital (note 4)	2,140,000	4,370,000
	<u>2,639,950</u>	<u>4,891,387</u>
Due to Mount Sinai Hospital (note 4)	4,354,000	5,132,000
Other long-term liabilities	<u>109,252</u>	<u>130,656</u>
Total liabilities	<u>7,103,202</u>	<u>10,154,043</u>
Fund Balances		
General Fund (note 6)	(7,927,986)	(8,519,908)
Endowment Fund (note 7)	56,472,670	58,520,774
Restricted Fund	13,967,366	11,799,361
	<u>62,512,050</u>	<u>61,800,227</u>
Total Liabilities and Fund Balances	<u>69,615,252</u>	<u>71,954,270</u>

Approved by the Board of Directors

_____ Director _____ Director

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

Mount Sinai Hospital Foundation of Toronto

Statement of Revenue and Expenses and Changes in Fund Balances

For the year ended March 31, 2012

	General Fund		Restricted Fund		Endowment Fund		Total	
	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$ (note 7)	2011 \$ (note 7)	2012 \$	2011 \$
Revenue								
Donations, bequests and contributions	5,871,092	5,435,195	18,632,234	22,098,885	477,709	306,788	24,981,035	27,840,868
Events revenue	45,614	66,433	3,207,738	1,942,203	-	-	3,253,352	2,008,636
	5,916,706	5,501,628	21,839,972	24,041,088	477,709	306,788	28,234,387	29,849,504
Investment income (loss) (note 8)	95,920	(35,506)	1,406,539	1,725,722	-	3,773,956	1,502,459	5,464,172
	6,012,626	5,466,122	23,246,511	25,766,810	477,709	4,080,744	29,736,846	35,313,676
Expenses								
Events expenses	77,033	7,403	293,995	170,808	-	-	371,028	178,211
Fundraising and administrative	4,771,797	5,186,046	-	-	-	-	4,771,797	5,186,046
	4,848,830	5,193,449	293,995	170,808	-	-	5,142,825	5,364,257
Net revenue before grants	1,163,796	272,673	22,952,516	25,596,002	477,709	4,080,744	24,594,021	29,949,419
Grants (note 9)	2,082,480	1,562,984	21,799,718	20,625,416	-	-	23,882,198	22,188,400
Net revenue (loss) after grants	(918,684)	(1,290,311)	1,152,798	4,970,586	477,709	4,080,744	711,823	7,761,019
Fund balances - Beginning of year	(8,519,908)	(8,819,908)	11,799,361	7,238,000	58,520,774	55,621,116	61,800,227	54,039,208
Interfund transfers (note 10)	1,510,606	1,590,311	1,015,207	(409,225)	(2,525,813)	(1,181,086)	-	-
Fund balances - End of year	(7,927,986)	(8,519,908)	13,967,366	11,799,361	56,472,670	58,520,774	62,512,050	61,800,227

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

Mount Sinai Hospital Foundation of Toronto

Notes to Financial Statements

March 31, 2012

1 Purpose of the organization

The Mount Sinai Hospital Foundation of Toronto (the Foundation) is incorporated under the laws of Ontario as a corporation without share capital. The Foundation receives, accumulates and distributes funds and/or the income therefrom for the advancement of medical research, education and improvement of patient care at Mount Sinai Hospital (the Hospital).

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

2 Summary of significant accounting policies

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

Fund accounting

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

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

a) General Fund

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

b) Restricted Fund

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

c) Endowment Fund

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

Mount Sinai Hospital Foundation of Toronto

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March 31, 2012

Investments

Publicly traded securities are valued based on the latest bid 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 since these securities are intended to be held-to-maturity. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Revenue recognition

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

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

Pledges

The Foundation records pledge revenue when it is received.

Contributed goods and services

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

Capital assets

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

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

Financial instruments and risk management

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

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.

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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

	2012 \$	2011 \$
Cash and short-term investments	701,808	636,944
State of Israel bonds	171,795	2,082,818
Bonds and debentures	14,683,137	19,036,997
Equities		
Canadian	7,613,153	9,601,580
US	6,071,696	6,017,734
Pooled funds	30,576,000	27,037,648
	<hr/>	<hr/>
Less: Current portion	59,817,589	64,413,721
	-	(1,892,948)
Long-term portion	59,817,589	62,520,773

Pooled funds consist of cash and short-term investments of \$4,740,279 (2011 - \$4,389,609), bonds of \$14,311,748 (2011 - \$17,501,758), Canadian equities of \$9,922,714 (2011 - \$5,146,281) and US equities of \$1,601,259 (2011 - \$nil).

The investment portfolio is managed in accordance with the Foundation's investment policy. Cash and short-term investments, which are included as part of pooled funds, are classified as long-term. Investments made using endowed funds are classified as long-term.

4 Related party balances and transactions

	2012 \$	2011 \$
Payable to Mount Sinai Hospital		
Samuel Lunenfeld Research Institute (SLRI)	5,263,313	5,545,715
Other payables	1,230,687	3,956,285
	<hr/>	<hr/>
Less: Current portion	6,494,000	9,502,000
	(2,140,000)	(4,370,000)
Long-term portion	4,354,000	5,132,000

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 \$262,253 (2011 - \$276,854) 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.

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

5 Capital assets

	2012		
	Cost \$	Accumulated amortization \$	Net \$
Leasehold improvements	215,037	117,478	97,559
Furniture and fixtures	78,788	43,834	34,954
Computer hardware and software	300,397	290,653	9,744
	<u>594,222</u>	<u>451,965</u>	<u>142,257</u>
	2011		
	Cost \$	Accumulated amortization \$	Net \$
Leasehold improvements	202,615	96,267	106,348
Furniture and fixtures	75,633	36,270	39,363
Computer hardware and software	295,916	280,161	15,755
	<u>574,164</u>	<u>412,698</u>	<u>161,466</u>

6 General Fund

	2012 \$	2011 \$
Unrestricted	(8,070,243)	(8,681,374)
Invested in capital assets	<u>142,257</u>	<u>161,466</u>
	<u>(7,927,986)</u>	<u>(8,519,908)</u>

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

7 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.

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In addition, from time to time the Foundation may enter into arrangements whereby it is required to match amounts donated on a best efforts basis over an unspecified period. As at March 31, 2012, there was \$366,796 (2011 - \$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:

	2012 \$	2011 \$
Endowments, income from which must be used for research purposes	34,372,427	34,696,964
Endowments, income from which must be used for other restricted purposes	21,975,758	22,217,260
Funds restricted for research endowed by the Board	124,485	1,606,550
	<u>56,472,670</u>	<u>58,520,774</u>

During the year, the Board approved the closure of three internally endowed funds restricted for research by the Board of \$1,482,065 (2011 - \$nil). These funds were granted to the Hospital in support of its research programs.

8 Investment income (loss)

	2012			
	General Fund \$	Restricted Fund \$	Endowment Fund \$	Total \$
Interest and dividends	123,084	154,127	2,300,111	2,577,322
Realized gains (losses)	(27,164)	19,539	106,717	99,092
Net changes in unrealized gains (losses) on investments	-	53,494	(922,720)	(869,226)
	<u>95,920</u>	<u>227,160</u>	<u>1,484,108</u>	<u>1,807,188</u>
Less: Investment and custodian fees	-	(13,721)	(291,008)	(304,729)
	<u>95,920</u>	<u>213,439</u>	<u>1,193,100</u>	<u>1,502,459</u>
Net investment income before allocation	95,920	213,439	1,193,100	1,502,459
Interfund allocation	-	1,193,100	(1,193,100)	-
	<u>95,920</u>	<u>1,406,539</u>	<u>-</u>	<u>1,502,459</u>
Net investment income after allocation	95,920	1,406,539	-	1,502,459

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	2011			
	General Fund \$	Restricted Fund \$	Endowment Fund \$	Total \$
Interest and dividends	50,712	128,633	2,182,142	2,361,487
Realized gains (losses)	(86,218)	(4,689)	2,301,681	2,210,774
Net changes in unrealized gains (losses) on investments	-	(30,533)	1,282,415	1,251,882
	(35,506)	93,411	5,766,238	5,824,143
Less: Investment and custodian fees	-	(23,069)	(336,902)	(359,971)
Net investment income (loss) before allocation	(35,506)	70,342	5,429,336	5,464,172
Interfund allocation	-	1,655,380	(1,655,380)	-
Net investment income (loss) after allocation	(35,506)	1,725,722	3,773,956	5,464,172

9 Grants

The grants to the Hospital were as follows:

	2012 \$	2011 \$
Capital, clinical and other	13,182,198	15,358,004
Samuel Lunenfeld Research Institute	10,700,000	6,830,396
	23,882,198	22,188,400

10 Interfund transfers

Interfund transfers of \$1,510,606 (2011 - \$1,590,311) from the Restricted Fund to the General Fund represent the critical needs support allocation from donor restricted funds of \$1,371,106 (2011 - \$1,630,698) and reallocation of prior year's funds of \$139,500 (2011 - \$40,387).

Interfund transfers of \$2,525,813 (2011 - \$1,181,086) from the Endowment Fund to the Restricted Fund represent endowment funds closed with consultation with donors of \$93,568 (2011 - \$1,181,086), Board approval for those internally endowed by the Board for the year of \$1,482,065 (2011 - \$nil) and shortfall of \$950,180 (2011 - \$nil) representing the difference between the investment income earned on endowment funds of \$1,193,100 (2011 - \$5,766,288) and the 3.5% (2011 - 3%) distribution for the year of \$2,143,280 (2011 - \$1,655,380).

11 Entitlements

The Foundation is the income beneficiary of an estate, which is administered by a major Canadian trust company. The fair value of the Foundation's portion of the estate as at March 31, 2012 is \$5,254,762 (2011 - \$5,243,413), which represents a 30% share in the estate. The income included in donations, bequests and contributions for the year ended March 31, 2012 is \$157,388 (2011 - \$179,187).

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12 Pledges receivable

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

	\$
2012/2013	28,532,112
2013/2014	14,580,001
2014/2015	11,871,578
2015/2016	10,683,156
2016/2017	4,373,951
2017 and thereafter	<u>25,595,839</u>
	<u>95,636,637</u>

13 Capital management

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

14 Statement of cash flows

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

15 Comparative figures

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