

**Sir Mortimer B. Davis Jewish
General Hospital Foundation**

**Financial Statements
March 31, 2017**

Sir Mortimer B. Davis Jewish General Hospital Foundation

Financial Statements
March 31, 2017

Table of Contents

Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Changes in Fund Balances	4
Statement of Revenues and Expenditures	5 - 6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 16

Independent Auditor's Report

To the Directors of
Sir Mortimer B. Davis Jewish General Hospital Foundation

We have audited the accompanying financial statements of Sir Mortimer B. Davis Jewish General Hospital Foundation which comprise the statement of financial position as at March 31, 2017 and the statements of revenues and expenditures, changes in fund balances and cash flows for the year ended March 31, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives revenues from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether adjustments might be necessary to donation revenues, excess of revenue over expenses, cash flows from operations, assets and net assets for the years ended March 31, 2017. Our audit opinion on the financial statements for the year ended March 31, 2016 was also qualified because of the possible effects of this limitation in scope.

T.514.934.3400

Richter S.E.N.C.R.L./LLP
1981 McGill College
Mtl (QC) H3A 0G6
www.richter.ca

Montréal, Toronto





Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Sir Mortimer B. Davis Jewish General Hospital Foundation as at March 31, 2017 and the results of its operations and its cash flows for the year ended March 31, 2017 in accordance with Canadian accounting standards for not-for-profit organizations.

Richter LLP

Montréal, Québec
September 19, 2017

Sir Mortimer B. Davis Jewish General Hospital Foundation

Statement of Financial Position As at March 31, 2017

	General fund \$	Endowment fund \$	Capital campaign fund \$	Total 2017 \$	Total 2016 \$
Assets					
Cash and cash equivalents	32,723,607	-	-	32,723,607	25,015,561
Marketable securities, at quoted values (note 3)					
Fixed income securities	16,731,091	-	-	16,731,091	14,598,499
Equities	129,845,758	-	-	129,845,758	119,241,406
Interest and sundry receivables	1,062,906	-	-	1,062,906	882,111
Interfund loans (note 4)	(131,730,912)	32,904,139	98,826,773	-	-
Pledges receivable	2,528,787	-	67,822,813	70,351,600	54,172,145
Property and equipment (note 5)	9,014,975	-	-	9,014,975	8,967,719
	60,176,212	32,904,139	166,649,586	259,729,937	222,877,441
Liabilities					
Sundry liabilities	198,556	-	-	198,556	567,291
Due to Hospital (note 4)	789,905	-	-	789,905	77,757
Deferred pledges and contributions (note 7)	19,742,842	-	53,283,453	73,026,295	54,132,976
Long-term debt (note 8)	5,297,122	-	-	5,297,122	5,468,898
Promissory note to Hospital (note 9)	1,841,716	-	-	1,841,716	-
	27,870,141	-	53,283,453	81,153,594	60,246,922
Commitments (note 9)					
Fund balances					
Internally restricted (note 10)	32,306,071	-	-	32,306,071	26,166,681
Restricted - capital campaign	-	-	37,074,120	37,074,120	37,949,248
Externally restricted as endowments	-	32,904,139	76,292,013	109,196,152	98,514,590
	32,306,071	32,904,139	113,366,133	178,576,343	162,630,519
	60,176,212	32,904,139	166,649,586	259,729,937	222,877,441

See accompanying notes

Approved by,

Irwin Kramer

RSE

10/10/2017

Date

10/10/2017

Date

Sir Mortimer B. Davis Jewish General Hospital Foundation

Statement of Changes in Fund Balances For the Year Ended March 31, 2017

	<u>General Fund</u>	<u>Endowment Fund</u>	<u>Capital Campaign Fund</u>		
	Internally restricted \$	\$	Restricted \$	Endowment \$	Total 2017 \$
Balance - beginning of year	26,166,681	30,482,881	37,949,248	68,031,709	162,630,519
Excess of revenues over expenses and allocations	632,695	2,420,843	4,662,831	8,229,455	15,945,824
Interfund transfers	5,506,695	415	(5,537,959)	30,849	-
Balance - end of year	32,306,071	32,904,139	37,074,120	76,292,013	178,576,343

	<u>General Fund</u>	<u>Endowment Fund</u>	<u>Capital Campaign Fund</u>		
	Internally restricted \$	\$	Restricted \$	Endowment \$	Total 2016 \$
Balance - beginning of year	37,719,595	32,218,465	37,680,394	72,454,482	180,072,936
Excess of expenses and allocations over revenues	(11,562,708)	(1,735,584)	284,648	(4,428,773)	(17,442,417)
Interfund transfers	9,794	-	(15,794)	6,000	-
Balance - end of year	26,166,681	30,482,881	37,949,248	68,031,709	162,630,519

See accompanying notes

Sir Mortimer B. Davis Jewish General Hospital Foundation

Statement of Revenues and Expenditures For the Year Ended March 31, 2017

	General fund \$	Endowment fund \$	Capital Campaign Fund		Total 2017 \$	Total 2016 \$
			Restricted \$	Endowment \$		
Revenues						
Donations and fundraising (note 11)						
Annual campaign and other donations (note 12)	1,654,388	58,836	18,061,107	3,677,277	23,451,608	35,084,993
Designated for Hospital	1,245,432	-	-	-	1,245,432	1,118,165
Fundraising and events	11,930,934	-	-	-	11,930,934	11,806,655
Surcharge fee	3,401,574	-	-	-	3,401,574	2,766,301
	18,232,328	58,836	18,061,107	3,677,277	40,029,548	50,776,114
Net transfers from (to) deferred contributions to (from) fundraising events (note 7)	2,121,658	-	-	-	2,121,658	(1,228,519)
Total revenues from donations and fundraising	20,353,986	58,836	18,061,107	3,677,277	42,151,206	49,547,595
Other revenues						
Usufruct income from Hospital	366,000	-	-	-	366,000	366,000
Total revenues	20,719,986	58,836	18,061,107	3,677,277	42,517,206	49,913,595
Expenses						
Fundraising and events	6,856,003	-	-	-	6,856,003	6,150,397
Campaign and sundry	1,154,465	-	4,688	-	1,159,153	1,178,504
Foundation administrative expenses	2,235,850	-	222,215	-	2,458,065	2,152,268
Investment management fees	9,575	41,138	-	97,880	148,593	154,053
Interest on long-term debt	188,673	-	-	-	188,673	194,573
Amortization	226,794	-	-	-	226,794	226,794
	10,671,360	41,138	226,903	97,880	11,037,281	10,056,589
Net income before investment returns and allocations	10,048,626	17,698	17,834,204	3,579,397	31,479,925	39,857,006
Investment returns						
Interest, dividends and realized capital gains	1,803,985	1,181,605	-	2,528,536	5,514,126	5,559,689
Realized gain (loss) on foreign exchange contracts	1,901,448	1,480,357	-	3,477,534	6,859,339	(20,035,124)
Unrealized increase in value of marketable securities	432,695	548,110	-	1,066,394	2,047,199	10,931,139
	4,138,128	3,210,072	-	7,072,464	14,420,664	(3,544,296)
Net income before allocations	14,186,754	3,227,770	17,834,204	10,651,861	45,900,589	36,312,710

Sir Mortimer B. Davis Jewish General Hospital Foundation

Statement of Revenues and Expenditures For the Year Ended March 31, 2017

	General fund \$	Endowment fund \$	Capital Campaign Fund		Total 2017 \$	Total 2016 \$
			Restricted \$	Endowment \$		
Allocations to the Sir Mortimer B. Davis Jewish General Hospital and other establishments						
Research and academic enhancement	5,470,535	52	203,556	83,202	5,757,345	4,733,411
Capital projects and equipment	1,181,686	-	5,490,776	-	6,672,462	38,231,824
Designated for Hospital	4,251,039	-	6,455,778	-	10,706,817	6,895,746
Endowment allocations	2,336	783,781	-	2,024,798	2,810,915	2,967,105
Allocations to other establishments	316,505	23,094	-	314,406	654,005	927,041
Allocation to Hospital for building projects	490,242	-	1,021,263	-	1,511,505	-
Allocation for research projects	1,841,716	-	-	-	1,841,716	-
	13,554,059	806,927	13,171,373	2,422,406	29,954,765	53,755,127
Excess of revenues over expenses and allocations (expenses and allocations over revenues)	632,695	2,420,843	4,662,831	8,229,455	15,945,824	(17,442,417)

See accompanying notes

Sir Mortimer B. Davis Jewish General Hospital Foundation

Statement of Cash Flows For the Year Ended March 31, 2017

	2017 \$	2016 \$
Operating activities		
Excess of revenues over expenses and allocations (expenses and allocations over revenues)	15,945,824	(17,442,417)
Amortization	226,794	226,794
Allocation for research projects	1,841,716	-
Realized gain on sale of marketable securities	(2,047,026)	(4,179,024)
Unrealized increase in value of marketable securities	(4,114,845)	(10,931,139)
Decrease (increase) in -		
Interest and sundry receivables	(180,795)	(474,656)
Pledges receivable	(16,179,455)	(8,806,950)
Advances to Hospital	712,148	17,169,433
Increase (decrease) in -		
Sundry liabilities	(368,735)	(228,701)
Deferred pledges and contributions	18,893,319	(8,300,617)
	14,728,945	(32,967,277)
Investing activities		
Proceeds on disposition of marketable securities	93,792,658	100,512,870
Purchase of marketable securities	(100,367,731)	(76,251,480)
Additions to property and equipment	(274,050)	(128,744)
	(6,849,123)	24,132,646
Financing activity		
Repayments of long-term debt	(171,776)	(165,876)
Increase (decrease) in cash and cash equivalents	7,708,046	(9,000,507)
Cash and cash equivalents - beginning of year	25,015,561	34,016,068
Cash and cash equivalents - end of year	32,723,607	25,015,561

See accompanying notes

Sir Mortimer B. Davis Jewish General Hospital Foundation

Notes to Financial Statements March 31, 2017

1. Purpose of the Organization

The principal activity of the Foundation is to raise funds for research in the field of medicine and for the development of related health care activities. The Foundation is incorporated under the Canada Corporations Act as a not-for-profit organization and is a registered charity under the Income Tax Act.

2. Summary of significant accounting policies

The Foundation has elected to apply Canadian accounting standards for not-for-profit organizations (ASNFP) in Part III of the CPA Canada Handbook - Accounting.

Fund accounting

The General Fund reports on revenues and expenses related to annual donations and fundraising activities which subsidizes research, teaching, medical technology and related expenditures. In addition, the General Fund reports on certain restricted gifts and bequests, and contributions designated for the Sir Mortimer B. Davis Jewish General Hospital (the "Hospital").

Endowment contributions are reported in the Endowment Fund. Investment income earned on resources of the Endowment Fund is reported in the Endowment Fund or the General Fund depending on the nature of any restrictions imposed by contributors of these funds.

The Capital Campaign Fund reports on contributions which generally are pledged and subsequently paid over five years. Such contributions are being raised to enhance the capital of the Foundation or for specific projects of the Hospital.

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions.

Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions of the General Fund are recognized as revenue in the year in which the related expenses are incurred and are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Capital campaign contributions and revenue from significant events are recorded when pledged. Such contributions are deferred and recognized as revenue in the year in which the related expenses are incurred.

Surcharge fees generally comprise a 10% administration charge and a 10% allocation to fund innovative projects of the Hospital and are generally levied on all gifts and donations received in the year.

Sir Mortimer B. Davis Jewish General Hospital Foundation

Notes to Financial Statements March 31, 2017

2. Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Amortization

Amortization for the buildings is calculated on their respective estimated useful life using the following method and period:

	Method	Period
Buildings	Straight-line	20 - 35 years

Long-lived asset

When a long-lived 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 statement of revenues and expenditures. A write-down should not be subsequently reversed.

Derivative financial instruments

The Foundation has limited involvement with derivative financial instruments which are utilized to reduce the risks associated with changes in foreign currency exchange rates. The Foundation does not hold financial instruments for trading purposes. The Foundation does not qualify for hedge accounting and therefore is measuring its foreign currency exchange contracts at fair value.

Foreign currency translation

Accounts in foreign currency have been translated into Canadian dollars as follows:

- Monetary items - at exchange rates in effect at the balance sheet date;
- Non-monetary items - at exchange rates in effect on the dates of the transactions; and
- Revenue and expenses - at average exchange rates prevailing during the year.

Gains and losses arising from foreign currency translation are included in income.

Sir Mortimer B. Davis Jewish General Hospital Foundation

Notes to Financial Statements March 31, 2017

2. Summary of significant accounting policies (continued)

Financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. In addition, the Foundation has elected to designate all fixed income securities to be measured at fair value. Changes in fair value are recognized in the statement of revenues and expenditures.

Financial assets measured at amortized cost include cash and cash equivalents, interest and sundry receivables, advances to Hospital and pledges receivable.

Financial liabilities measured at amortized cost include sundry liabilities, long-term debt and promissory note to Hospital.

The Foundation's financial assets measured at fair value include marketable securities.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of possible impairment. The Foundation determines whether a significant adverse change has occurred in the expected timing or amount of future cash flows from the financial asset. If this is the case, the carrying amount of the asset is reduced directly to the higher of the present value of the cash flows expected to be generated by holding the asset, and the amount that could be realized by selling the asset at the balance sheet date. The amount of the write-down is recognized in the statement of revenues and expenditures. Any previously recognized impairment loss may be reversed to the extent of the improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of revenues and expenditures.

Transaction costs

The Foundation recognizes its transaction costs in the statement of revenues and expenditures in the period incurred. However, transaction costs related to financial instruments subsequently measured at amortized cost reduce the carrying amount of the financial asset or liability and are accounted for in the statement of revenues and expenditures using the straight-line method.

Sir Mortimer B. Davis Jewish General Hospital Foundation

Notes to Financial Statements March 31, 2017

3. Marketable securities

Marketable securities are carried in the accounts at their quoted values and any unrealized gains or losses are recorded in the statement of revenues and expenditures.

Included in marketable securities is the unrealized loss on derivative financial instruments (note 9).

4. Interfund loans and due to Hospital

Interfund loans and amounts due to Hospital are non-interest bearing and have no specific terms of repayment.

5. Property and equipment

	Cost \$	Accumulated amortization \$	2017 Net carrying amount \$	2016 Net carrying amount \$
Land	3,302,487	-	3,302,487	3,302,487
Buildings	7,233,371	1,520,883	5,712,488	5,665,232
	10,535,858	1,520,883	9,014,975	8,967,719

6. Credit facility

The Foundation's credit facility provides for a \$5,000,000 line of credit with borrowings thereunder bearing interest at bank prime rate per annum. As at March 31, 2017, there was no bank indebtedness outstanding (2016 - \$Nil).

7. Deferred pledges and contributions

Deferred contributions reported in the General Fund represent mainly contributions received to date related to expenditures of subsequent years. Deferred contributions in the Capital Campaign Fund relate to unpaid pledges. Changes in the deferred contributions balance are as follows:

	Deferred pledges \$	Deferred contributions \$	2017 Total \$	2016 Total \$
Balance - beginning of year	36,126,389	18,006,587	54,132,976	62,433,593
Recognized this year	(21,576,484)	(4,968,936)	(26,545,420)	(35,446,104)
Amounts received for future periods	41,262,335	4,176,404	45,438,739	27,145,487
Balance - end of year	55,812,240	17,214,055	73,026,295	54,132,976

Sir Mortimer B. Davis Jewish General Hospital Foundation

Notes to Financial Statements March 31, 2017

7. Deferred pledges and contributions (continued)

The net transfers to deferred contributions from fundraising events consists of the following:

	2017 \$	2016 \$
Transfers to deferred contributions from fundraising events in the current year	(2,847,278)	(3,065,007)
Transfers from deferred contributions relating to expenditures incurred in the year	4,968,936	1,836,488
	2,121,658	(1,228,519)

8. Long-term debt

	2017 \$	2016 \$
Long-term debt, bearing interest at 3.50% per annum, repayable in monthly instalments of \$30,037 including capital and interest, maturing on November 2022, and secured by certain marketable securities of the Foundation	5,297,122	5,468,898

The terms of the mortgage agreement require the Foundation to comply with a financial covenant. On March 31, 2017, the Foundation was in compliance with this debt covenant.

Principal repayments are due approximately as follows:

	\$
2018	178,000
2019	184,000
2020	191,000
2021	198,000
Thereafter	4,546,000

9. Commitments

Investment purchase commitments

The Foundation has entered into agreements to purchase various equity investments for a total commitment of approximately \$81,200,000 of which approximately \$57,900,000 has been paid as at March 31, 2017.

Sir Mortimer B. Davis Jewish General Hospital Foundation

Notes to Financial Statements March 31, 2017

9. Commitments (continued)

Pavillion K of Sir Mortimer B. Davis Jewish General Hospital

As a condition of the Québec government funding the budgeted construction cost of the Hospital's Pavillion K in the amount of approximately \$400 million, the Foundation has made a commitment to the Hospital that it will be responsible for certain costs of the project and for certain costs overruns that exceed the budget amount at the time of completion. The Foundation paid approximately \$1 million relating to these costs during the fiscal year, any additional amounts of cost overruns is not determinable at this time.

In addition, the Foundation has agreed to guarantee the debt service with respect to the loan which funds the construction costs of the parking structure related to the Hospital's Pavillion K project. The debt related to the parking amounted to approximately \$21.8 million as at March 31, 2017 and is bearing 4.31% interest on a yearly basis. The loan is repayable over 25 years, and it is intended that the debt service of the loan and operating costs of the parking structure will be funded from the parking revenue derived from the garage. Should such revenue not be sufficient, the Foundation will be liable, on an annual basis, to fund the shortfall.

Promissory note - Sir Mortimer B. Davis Jewish General Hospital

As at March 31, 2017, the Foundation has made a commitment to provide approximately \$5,500,000 to the Sir Mortimer B. Davis Jewish General Hospital to fund past research and programs at the Hospital, over a three year period, from fiscal 2017 to fiscal 2019 inclusive.

As at March 31, 2017, a promissory note to the Hospital, in the amount of \$1,841,716 has been recorded representing the Foundation's first year of commitment. The note is non-interest bearing.

The Centre intégré universitaire de santé et de services sociaux de Centre-Ouest-de-l'Île-de-Montréal, on behalf of the Sir Mortimer B. Davis Jewish General Hospital, has made a commitment to reimburse the Foundation approximately \$550,000 per year over ten years, beginning in fiscal 2018.

Sir Mortimer B. Davis Jewish General Hospital

As at March 31, 2017, the Foundation has made a commitment to provide approximately \$3,100,000, in fiscal year 2018, of funding to the Sir Mortimer B. Davis Jewish General Hospital to be applied towards non-shareable activities.

Rossy Cancer Network

The Foundation has made a commitment to the Rossy Cancer Network for an amount of \$7,200,000 in 2014 to establish a cancer network and improve the identification of cancer indicators and quality of cancer care.

Sir Mortimer B. Davis Jewish General Hospital Foundation

Notes to Financial Statements March 31, 2017

9. Commitments (continued)

Rossy Cancer Network (continued)

The remaining payments are due as follows:

	\$
2018	409,000
2019	545,000
2020	545,000
2021	545,000
Thereafter	3,356,000

Foreign exchange contracts

As at March 31, 2017, the Foundation has a contractual obligation through a forward exchange contract to sell U.S.\$67,200,000 for CDN\$88,294,416 maturing on June 7, 2017. As explained in note 2, the Foundation accounts for these financial instruments as non-hedging derivative financial instruments and records the contracts at their fair value. The unrealized loss on the contract as at March 31, 2017 is approximately CDN\$1,023,994 which is recognized as part of the unrealized increase in value of marketable securities on the statement of operations and is grouped with marketable securities on the statement of financial position (note 3).

10. Internally restricted net assets

As at March 31, 2017, the Foundation's board of directors has internally restricted capital of \$32,306,071 in aggregate which consists of \$29,404,355 of the General Fund which consists of estates, bequests and other capital amounts and the remaining restricted capital of the General Fund Capital of \$2,901,716 relates to fixed assets less related debt.

11. Donations

Donations, excluding fundraising and events, recorded during the years ended March 31, 2017 and 2016 were from the following categories of donors:

	2017 \$	2016 \$
Foundations and not-for-profit organizations	10,770,822	12,194,303
Individuals	13,602,629	14,631,662
Corporations	3,725,163	12,143,494
	28,098,614	38,969,459

Sir Mortimer B. Davis Jewish General Hospital Foundation

Notes to Financial Statements March 31, 2017

12. Annual campaign and other donations

In 2016, the Foundation recorded approximately \$18,000,000 of revenues for the capital campaign fund due to a change in the method of accounting for revenues from capital campaign contributions. In 2017, the corresponding amount equated to approximately \$1,800,000.

13. Financial instruments

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at the financial position date.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Some assets are exposed to foreign exchange fluctuations. As at March 31, 2017, assets in foreign exchange are the following:

	2017		2016	
	Canadian dollars	Foreign currency	Canadian dollars	Foreign currency
	\$		\$	
Cash (\$U.S.)	206,000	155,000	228,000	175,000
Marketable securities (\$U.S.)	123,219,000	92,653,000	103,008,000	79,316,000
Marketable securities (Euro)	1,042,000	731,000	1,439,000	974,000

The Foundation's activities involve investments denominated in foreign currencies. These activities result in exposure to fluctuations in foreign currency rates. The Foundation enters into foreign exchange contracts to mitigate the risk.

Interest rate risk

The Foundation is exposed to reductions in interest rates, which could adversely impact expected returns from the Foundation's reinvestment of funds in marketable securities upon maturity of such instruments. The Foundation is also exposed to interest rate price risk with respect to its long-term debt which bears a fixed rate of interest.

Credit risk

The Foundation is exposed to credit risk only with respect to uncertainty as to timing and amount of collectibility of sundry receivables and pledges receivable. The uncertainty associated with pledges due more than a year from the year end date precludes their recognition until collection. Historically, the Foundation collects virtually all of its pledges receivable.

Sir Mortimer B. Davis Jewish General Hospital Foundation

Notes to Financial Statements March 31, 2017

13. Financial instruments (continued)

Price risk

The Foundation's cash equivalent balances represent investments and deposits with banks and financial institutions that mature within three months from the date of purchase and are not considered subject to significant price risk. The Foundation is exposed to securities price risk because of investments held by the Foundation. To manage its price risk arising from investments in securities, the Foundation diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Foundation.

Liquidity risk

Liquidity risk is the risk that the Foundation will have difficulty in meeting obligations associated with financial liabilities. Prudent management of liquidity risk implies retaining a sufficient level of liquidity and arranging for appropriate credit facilities and being able to liquidate market positions. The Foundation believes that its recurring financial resources are adequate to cover all its expenditures.