

Financial statements of

ST. MARY'S HOSPITAL FOUNDATION

March 31, 2013 and March 31, 2012

ST. MARY’S HOSPITAL FOUNDATION

Table of contents

Independent auditor’s report.....	1-2
Balance sheets.....	3
Statements of income and expenditures.....	4
Statements of fund balances	5
Statements of cash flows	6
Notes to the financial statements	7-15
Donations made to St. Mary’s Hospital Center	Schedule

Independent auditor's report

To the Members of
St. Mary's Hospital Foundation

We have audited the accompanying financial statements of St. Mary's Hospital Foundation, which comprise the balance sheets as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of income and expenditures, fund balances and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 audits. We conducted our audits 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 audits 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 part of its revenue from the general public in the form of donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our audit of these revenues was limited to the amounts recorded in the books of the Foundation and we were unable to determine whether any adjustments might be necessary to donation revenue and excess of revenue over expenditures for the years ended March 31, 2013 and March 31, 2012, current assets and fund balances as at March 31, 2013, March 31, 2012 and April 1, 2011.

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 St. Mary's Hospital Foundation as at March 31, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012, in accordance with Canadian accounting standards for not-for-profit organizations.

*Deloitte s.e.n.c.r.l.*¹

June 12, 2013

¹CPA auditor, CA, public accountancy permit No. A125888

ST. MARY'S HOSPITAL FOUNDATION

Balance sheets

as at March 31, 2013, March 31, 2012, and April 1, 2011

	March 31, 2013	March 31, 2012	April 1, 2011
	\$	\$	\$
Assets			
Current assets			
Cash	908,686	103,140	202,825
Accounts receivable	96,428	111,887	172,111
Prepaid expenses	31,977	11,604	22,639
	1,037,091	226,631	397,575
Portfolio investments (Note 4)	9,924,879	10,729,030	10,692,182
Investment in a subsidiary (Note 5)	2,442,899	763,411	745,129
Capital assets (Note 6)	3,100	5,452	6,755
	13,407,969	11,724,524	11,841,641
Liabilities			
Current liabilities			
Accounts payable and accruals	123,400	163,326	196,816
Due to St. Mary's Hospital Center	45,935	43,433	89,872
Unearned revenue	132,041	97,900	68,760
	301,376	304,659	355,448
Commitments (Note 9)			
Fund balances			
Endowment			
Externally restricted	5,780,016	5,400,824	4,916,590
Internally restricted	6,294,276	5,575,622	5,575,622
Externally restricted	5,114,646	3,330,914	2,332,952
General			
Invested in capital assets	3,100	5,452	6,755
Unrestricted	(4,085,445)	(2,892,947)	(1,345,726)
	13,106,593	11,419,865	11,486,193
	13,407,969	11,724,524	11,841,641

The accompanying notes to the financial statements are an integral part of this financial statement.

Approved by the Board

....., Director

....., Director

ST. MARY'S HOSPITAL FOUNDATION

Statements of income and expenditures

years ended March 31, 2013 and March 31, 2012

	Endowment Fund	Restricted Fund	General Fund	Total	
				2013	2012
	\$	\$	\$	\$	\$
Income					
Donations	329,192	2,381,484	3,547,306	6,257,982	5,085,909
Investment income	-	-	416,271	416,271	430,827
Change in fair value of investments	-	-	809,691	809,691	(314,605)
Total income	329,192	2,381,484	4,773,268	7,483,944	5,202,131
Expenditures					
Salaries	-	-	641,468	641,468	625,071
Expenses - Special events	-	-	537,129	537,129	396,346
Administrative and fundraising expenses	-	-	258,629	258,629	260,420
Insurance policy premiums	-	-	17,364	17,364	28,910
Investment expenses	-	-	45,654	45,654	45,834
Amortization of capital assets	-	-	2,352	2,352	3,032
Total expenditures	-	-	1,502,596	1,502,596	1,359,613
Excess of income over expenditures before the following items	329,192	2,381,484	3,270,672	5,981,348	3,842,518
Donations to St. Mary's Hospital Center - Schedule	-	(663,517)	(4,391,503)	(5,055,020)	(2,486,929)
Chairs and Special Project	-	-	(211,250)	(211,250)	(346,325)
5300 Development Project (Note 5)	-	-	2,855,984	2,855,984	(1,093,874)
Excess (deficiency) of income over expenditures before net income of a subsidiary	329,192	1,717,967	1,523,903	3,571,062	(84,610)
Net (loss) income of a subsidiary (Note 5)	-	-	(1,884,334)	(1,884,334)	18,282
Excess (deficiency) of income over expenditures	329,192	1,717,967	(360,431)	1,686,728	(66,328)

The accompanying notes to the financial statements are an integral part of this financial statement.

ST. MARY'S HOSPITAL FOUNDATION

Statements of fund balances

years ended March 31, 2013 and March 31, 2012

	Endowment Fund			Restricted Fund	General Fund			Total
	Externally restricted	Internally restricted	Total	Total	Invested in capital assets	Unrestricted	Total	
	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at April 1, 2011	4,916,590	5,575,622	10,492,212	2,332,952	6,755	(1,345,726)	(1,338,971)	11,486,193
(Deficiency) excess of income over expenditures	434,234	-	434,234	931,398	(3,032)*	(1,428,928)	(1,431,960)	(66,328)
Acquisition of capital assets	-	-	-	-	1,729	(1,729)	-	-
Transfers between Funds (Note 7)	50,000	-	50,000	66,564	-	(116,564)	(116,564)	-
Balance as at March 31, 2012	5,400,824	5,575,622	10,976,446	3,330,914	5,452	(2,892,947)	(2,887,495)	11,419,865
(Deficiency) excess of income over expenditures	329,192	-	329,192	1,717,967	(2,352)*	(358,079)	(360,431)	1,686,728
Transfers between Funds (Note 7)	50,000	718,654	768,654	65,765	-	(834,419)	(834,419)	-
Balance as at March 31, 2013	5,780,016	6,294,276	12,074,292	5,114,646	3,100	(4,085,445)	(4,082,345)	13,106,593

The accompanying notes to the financial statements are an integral part of this financial statement.

* Amortization of capital assets

ST. MARY'S HOSPITAL FOUNDATION

Statements of cash flows

years ended March 31, 2013 and March 31, 2012

	2013	2012
	\$	\$
Operating activities		
Excess (deficiency) of income over expenditures	1,686,728	(66,328)
Adjustments for:		
Amortization of capital assets	2,352	3,032
Changes in fair value of investments	(809,691)	314,605
Net (income) loss of a subsidiary (Note 5)	1,884,334	(18,282)
5300 Development Project (Note 5)	(2,855,984)	-
	(92,261)	233,027
Changes in non-cash operating working capital items		
Accounts receivable	15,459	60,224
Prepaid expenses	(20,373)	11,035
Accounts payable and accruals	(39,926)	(33,490)
Due to St. Mary's Hospital Center	2,502	(46,439)
Unearned revenue	34,141	29,140
	(100,458)	253,497
Investing activities		
Acquisition of capital assets	-	(1,729)
Variation of portfolio investments	1,613,842	(351,453)
Investment in a subsidiary (Note 5)	(707,838)	-
	906,004	(353,182)
Net increase (decrease) in cash	805,546	(99,685)
Cash, beginning of year	103,140	202,825
Cash, end of year	908,686	103,140

The accompanying notes to the financial statements are an integral part of this financial statement.

ST. MARY'S HOSPITAL FOUNDATION

Notes to the financial statements

March 31, 2013 and March 31, 2012

1. Status and objectives of the Foundation

The current status of St. Mary's Hospital Foundation (the "Foundation") results from the merger of the Foundation with the Queen Elizabeth Hospital of Montreal Foundation on April 1, 2004 under the *Companies Act* (Québec). The object of the Foundation is to raise funds for the requirements of St. Mary's Hospital Center (the "Hospital") that are not funded by the Agence de la santé et des services sociaux de Montréal. Under the *Income Tax Act*, the Foundation is classified as a public foundation and is subject to the articles thereof.

2. Adoption of a new accounting framework

During the year ended March 31, 2013, the Foundation adopted the new Canadian accounting standards for not-for-profit organizations (the "new standards") issued by the Canadian Institute of Chartered Accountants ("CICA") and set out in Part III of the CICA Handbook. In accordance with Section 1501 of Part III of the CICA Handbook, *First-time Adoption for not-for-profit organizations*, ("Section 1501"), the date of transition to the new standards was April 1, 2011 and the Foundation has prepared and presented an opening balance sheet at the date of transition to the new standards. This opening balance sheet is the starting point for the entity's accounting under the new standards. In its opening balance sheet, under the recommendations of Section 1501, the Foundation:

- a) recognized all assets and liabilities whose recognition is required by the new standards;
- b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;
- c) reclassified items that it recognized previously as one type of asset, liability or component of fund balance, but are recognized as a different type of asset, liability or component of fund balance under the new standards; and
- d) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1501, the accounting policies set out in Note 3 have been consistently applied to all years presented and adjustments resulting from the adoption of the new standards have been applied retrospectively.

The Foundation has elected to adopt the exemptions available under Section 1501 relating to financial instruments, allowing for the accounting of certain investments held at the date of transition at fair value.

The adoption of the new standards had no impact on the financial statements.

ST. MARY'S HOSPITAL FOUNDATION

Notes to the financial statements

March 31, 2013 and March 31, 2012

3. Accounting policies

The financial statements of the Foundation have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") using the restricted fund method. The significant accounting policies are:

Fund accounting

Donations and other income received by the Foundation are classified into three funds - the Endowment Fund, the Restricted Fund and the General Fund. All monies are directed in accordance with the donors' wishes or, for donated funds without specific designations, in accordance with objectives periodically approved by the Directors of the Foundation. Additionally, all funds are invested under the guidelines of the Statement of Investment Objectives and Guidelines of the Foundation. Investment income is recorded when earned.

a) Endowment Fund

Externally restricted funds are subject to donor stipulations requiring the capital to be maintained.

Internally restricted funds are subject to approval by the Directors of the Foundation. Only a pre-determined percentage of the income from these funds can be used for operations in accordance with the Foundation's Capital Funds' Governance Policy.

b) Restricted Fund

Externally restricted funds are subject to the requirements specified by the donors.

c) General Fund

Unrestricted funds are not subject to specific stipulation and are available for operations or as directed by the Directors of the Foundation.

Funds invested in capital assets report the capital assets and their amortization.

Donations

Pledged donations are presented in the notes to the financial statements and are only recorded as income when received.

Donated goods and services

The value of donated goods and services is recorded as revenue and an expense in the financial statements when the fair value can be reasonably estimated and when the goods and services are normally purchased and would be paid for if not donated.

Furthermore, each year, many volunteers give a lot of their time to the Foundation to make sure that it can provide its services. Due to the difficulty in determining the fair value of the contributions received in the form of services, these services are not recognized in the financial statements.

ST. MARY'S HOSPITAL FOUNDATION

Notes to the financial statements

March 31, 2013 and March 31, 2012

3. Accounting policies (continued)

Capital assets

Capital assets are recorded at cost. Amortization is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Office furniture and equipment	5 years
Leasehold improvements	10 years

Investment in a subsidiary

The Foundation records its investment in its wholly-owned subsidiary, 9030-9329 Québec Inc., which owns the building located at 5300 Côte-des-Neiges, using the equity method.

The Foundation recognizes in net income an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the investee. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in net earnings in the period the reversal occurs.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Foundation becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost except for investments, which are measured at fair value at the balance sheet date. The fair value of investments is based on closing prices. The fair value of the closed pool investment funds is based on fair value confirmation received from the fund manager with whom those instruments are negotiated. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of operations as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Foundation recognizes in the statement of operations an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in statement of operations in the period the reversal occurs.

ST. MARY'S HOSPITAL FOUNDATION

Notes to the financial statements

March 31, 2013 and March 31, 2012

3. Accounting policies (continued)

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing rates of exchange at the balance sheet date. Revenues and expenses are translated at the exchange rates prevailing on the transaction dates. Realized and unrealized exchange gains and losses are included in earnings. The Foundation does not use derivative instruments to mitigate foreign exchange risk

Use of estimates

The preparation of financial statements, in conformity with Canadian ASNPO, 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 revenue and expenses during the reporting period. Main estimates consist of, the fair value of investments and the recoverable amount of the investment in a subsidiary. Actual results could differ from these estimates.

4. Portfolio investments

	March 31,		April 1,
	2013	2012	2011
	\$	\$	\$
Cash and cash equivalents	235,405	150,873	29,768
Bonds – Canadian	2,977,377	3,277,860	3,339,097
Shares – Canadian	2,137,391	2,405,426	2,595,932
– US	4,574,706	4,894,871	4,727,385
Total	9,924,879	10,729,030	10,692,182

Market risk

The Foundation is subject to market risk, which is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security of its issuer or factors affecting all securities traded in the market. These risks include exposure to fluctuations in interest rates and in foreign currencies. The concentration of risk is minimized because of the Foundation's diversification of its investment portfolio.

Currency risk

The Foundation has investments in U.S. dollars and is accordingly subject to risk arising from currency rate changes. The fair value of US shares is translated at the currency rate as of March 31, which was 1.0156 in 2013 (0.9975 in 2012 and 0.9696 in 2011).

ST. MARY'S HOSPITAL FOUNDATION

Notes to the financial statements

March 31, 2013 and March 31, 2012

4. Portfolio investments (continued)

Interest rate risk

The interest rates and terms of bonds are summarized at their fair values as follows:

	Maturity			Total
	0-5 years	6-10 years	+10 years	
	\$	\$	\$	\$
As at March 31, 2013:				
Canadian bonds				
1.41%-6.75%	1,980,218	-	-	1,980,218
2.10%-11.00%	-	997,159	-	997,159
	1,980,218	997,159	-	2,977,377

As at March 31, 2012

	Maturity			Total
	0-5 years	6-10 years	+10 years	
	\$	\$	\$	\$
Canadian bonds				
0.00%-10.95%	1,996,463	-	-	1,996,463
1.56%-11.00%	-	1,148,395	-	1,148,395
8.50%	-	-	133,002	133,002
	1,996,463	1,148,395	133,002	3,277,860

As at April 1, 2011

	Maturity			Total
	0-5 years	6-10 years	+10 years	
	\$	\$	\$	\$
Canadian bonds				
0.00%-8.75%	1,767,490	-	-	1,767,490
1.57%-11.00%	-	977,939	-	977,939
4.45%-10.13%	-	-	593,668	593,668
	1,767,490	977,939	593,668	3,339,097

ST. MARY'S HOSPITAL FOUNDATION

Notes to the financial statements

March 31, 2013 and March 31, 2012

4. Portfolio investments (continued)

Credit risk

Credit risk concentration exists where a significant portion of the portfolio is invested in securities which have comparable characteristics or obey similar variations relating to economic or political conditions. The credit risk is mainly due to the fact that the foundation owns bonds. There is a risk that the issuer will be unable to pay their obligations towards the Foundation. The Foundation mitigates this risk through the diversification of its investment portfolio.

5. Investment in a subsidiary

	March 31,		April 1,
	2013	2012	2011
	\$	\$	\$
9030-9329 Quebec Inc., wholly-owned			
Advance, non-interest bearing and without specific terms of repayment	4,593,262	1,029,440	1,029,440
Shares, at equity value	(2,150,363)	(266,029)	(284,311)
	2,442,899	763,411	745,129

For the past few years, the Foundation has been acting as an agent on behalf of its subsidiary for certain activities. As part of these activities, the Foundation has been providing assistance in terms of project management oversight and financing of the subsidiary's building improvements and its pre-development expenses related to the planning and construction of a new medical building at 5300 Côte-des-Neiges ("5300 Development Project"). Previously, expenditures related to these activities were expensed by the Foundation. During the year, the cumulative expenditures related to these activities were formally transferred to the subsidiary for whom they were undertaken and a receivable for these amounts was set up. The result to the Foundation was to record a recovery of \$2,855,984 for amounts previously expensed, partially offset by the Foundation recording the net loss of the subsidiary, which results from the pre-development and other amounts required to be expensed by the subsidiary. In the year ended March 31, 2013, an additional \$707,838 was advanced to the subsidiary. In April 2013, the subsidiary repaid \$200,000 of the loan receivable.

The subsidiary is not consolidated in the Foundation's financial statements. The financial summary of the subsidiary as at March 31, 2013 and March 31, 2012 and for the years then ended is as follows:

	March 31,	
	2013	2012
	\$	\$
Total assets	2,523,565	850,351
Total liabilities	4,673,928	1,116,380
Shareholder's deficiency	(2,150,363)	(266,029)
Total income	478,171	418,061
Total expenditures	2,362,505	399,779
Net income	(1,884,334)	18,282

ST. MARY'S HOSPITAL FOUNDATION

Notes to the financial statements

March 31, 2013 and March 31, 2012

6. Capital assets

	<u>March 31, 2013</u>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
	\$	\$	\$
Office furniture and equipment	144,754	141,654	3,100
Leasehold improvements	149,781	149,781	-
	<u>294,535</u>	<u>291,435</u>	<u>3,100</u>

	<u>March 31, 2012</u>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
	\$	\$	\$
Office furniture and equipment	144,754	139,302	5,452
Leasehold improvements	149,781	149,781	-
	<u>294,535</u>	<u>289,083</u>	<u>5,452</u>

	<u>April 1, 2011</u>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
	\$	\$	\$
Office furniture and equipment	143,025	136,312	6,713
Leasehold improvements	149,781	149,739	42
	<u>292,806</u>	<u>286,051</u>	<u>6,755</u>

7. Transfers between Funds

In accordance with the Foundation's Capital Funds' Governance Policy, transfers between Funds are made on a quarterly basis to allocate investment income and related fees. In addition, the Board of Directors of the St. Mary's Hospital Foundation may authorize, from time to time, transfers between Funds in accordance with the Hospital's strategic direction. The interfund transfers consist primarily of funds collected through the Foundation's fundraising events that are allocated to specific internal and external projects.

ST. MARY'S HOSPITAL FOUNDATION

Notes to the financial statements

March 31, 2013 and March 31, 2012

8. Pledges receivable

At year-end, the Foundation had pledges receivable totalling \$8,785,830, which are receivable up to 2022 as follows:

	\$
2014	2,200,830
2015	1,815,000
2016	1,115,000
2017	900,000
2018	555,000
2019	550,000
2020	550,000
2021	550,000
2022	550,000

9. Commitments

At year-end, the Foundation's outstanding commitments to the Hospital were as follows:

	\$
Ophthalmology	136,000
Women's Health Initiative	193,272
CT Scan for Emergency Room	500,000
McGill Chair	227,500
Rosy Cancer Network	3,600,000
Medical research, support and grants	1,935,000
West wing expansion	10,000,000
	<u>16,591,772</u>

The timing of disbursement of these commitments will depend on the timing of the Hospital's execution of its plans in these areas. In addition, the Foundation has an annual commitment to support research chairs up to \$250,000.

ST. MARY'S HOSPITAL FOUNDATION

Notes to the financial statements

March 31, 2013 and March 31, 2012

10. Financial instruments

Credit risk

The Foundation is exposed to credit risk to the extent that its donors and debtors may experience financial difficulty and would be unable to meet their obligations. However, the Foundation has a large number of diverse donors and debtors which minimizes concentration of credit risk.

Liquidity risk

The Foundation's objective is to have sufficient liquidity to meet its liabilities when due. The Foundation monitors its cash balances and cash flows generated from operations to meet its requirements. As at March 31, 2013, the most significant financial liabilities are accruals and due to St. Mary's Hospital Center.

ST. MARY'S HOSPITAL FOUNDATION**Schedule****Donations made to St-Mary's Hospital Center**

years ended March 31, 2013 and March 31, 2012

	2013	2012
	\$	\$
From restricted funds		
Primary care/Cancer care	157,705	215,289
Medicine	66,993	15,941
Pharmacy fund	67,358	55,528
Day Surgery unit	1,509	-
Professional advancement	96,532	36,331
Psychiatry	13,440	13,440
QIE Historic Society	-	32,233
Renal dialysis	5,620	6,444
Ophthalmology	3,046	4,347
Intensive care unit	-	700
Geriatrics	3,125	1,505
Family Medicine	6,633	9,560
Clinical teaching unit - 5 south	3,745	3,627
Other projects - outside event	5,035	6,134
Diabetic clinic	8,782	7,536
Women's Wellness Initiative	220,035	42,406
Auxiliary of St. Mary's Hospital	3,959	-
	663,517	451,021
From unrestricted general funds		
Medical research, support and grants	1,755,000	1,675,000
Equipment and construction	2,636,503	360,908
	4,391,503	2,035,908
Total donations	5,055,020	2,486,929