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Financial statements of  
**St. Mary's Hospital Foundation**

March 31, 2015

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## 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 sheet as at March 31, 2015, and the statements of income and expenditures, fund balances and cash flows for the year then ended, 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 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. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue and excess of income over expenditures and cash flows from operating activities for the years ended March 31, 2015 and 2014, and current assets as at March 31, 2015 and 2014, and fund balances as at March 31, 2015 and 2014, and April 1, 2013. Our report on the prior year financial statements had the same qualification.

*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, 2015, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP<sup>1</sup>

June 5, 2015

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<sup>1</sup> CPA auditor, CA, public accountancy permit No. A125888

**St. Mary's Hospital Foundation**  
**Statement of income and expenditures**  
Year ended March 31, 2015

		2015			2014	
Notes	Endowment Fund	Restricted Fund	General Fund	Total	Total	
	\$	\$	\$	\$	\$	
<b>Income</b>						
	Donations	309,156	1,460,490	3,142,004	4,911,650	4,817,268
	Investment income	183,286	307,648	720,348	1,211,282	2,205,299
		<b>492,442</b>	<b>1,768,138</b>	<b>3,862,352</b>	<b>6,122,932</b>	<b>7,022,567</b>
<b>Expenditures</b>						
	Salaries	—	—	709,609	709,609	798,388
	Expenses – Special events	—	44,667	529,214	573,881	575,950
	Administrative and fundraising expenses	—	—	226,515	226,515	226,972
	Investment expenses	—	—	51,013	51,013	47,071
	Amortization of capital assets	—	—	8,240	8,240	3,216
		—	44,667	1,524,591	1,569,258	1,651,597
	Excess of income over expenditures before the following items	492,442	1,723,471	2,337,761	4,553,674	5,370,970
	Donations to St. Mary's Hospital Center (Schedule)	—	(707,376)	(2,446,468)	(3,153,844)	(3,583,284)
	Chairs and Special Project	—	(127,500)	(500,000)	(627,500)	(532,995)
	5300 Development Project	—	—	(27,105)	(27,105)	—
	Excess (deficiency) of income over expenditures before net loss of a subsidiary	492,442	888,595	(635,812)	745,225	1,254,691
	Net loss of a subsidiary	—	—	(110,861)	(110,861)	(331,042)
	<b>Excess (deficiency) of income over expenditures</b>	<b>492,442</b>	<b>888,595</b>	<b>(746,673)</b>	<b>634,364</b>	<b>923,649</b>

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

# St. Mary's Hospital Foundation

## Statement of fund balances

Year ended March 31, 2015

	Notes	Endowment	Restricted Fund	Invested in capital assets	Unrestricted	Total
		\$	\$	\$	\$	\$
Balance as at March 31, 2013		5,748,984	5,921,349	3,100	1,433,160	13,106,593
Excess (deficiency) of income over expenditures		1,087,631	605,660	(3,216)	(766,426)	923,649
Acquisition of capital assets		—	—	41,576	(41,576)	—
Transfers between Funds	7	—	663	—	(663)	—
Balance as at March 31, 2014		<b>6,836,615</b>	<b>6,527,672</b>	<b>41,460</b>	<b>624,495</b>	<b>14,030,242</b>
Excess (deficiency) of income over expenditures		<b>492,442</b>	<b>888,595</b>	<b>(8,240)</b>	<b>(738,433)</b>	<b>634,364</b>
Acquisition of capital assets		—	—	16,104	(16,104)	—
Transfers between Funds	7	—	1,220	—	(1,220)	—
Balance as at March 31, 2015		<b>7,329,057</b>	<b>7,417,487</b>	<b>49,324</b>	<b>(131,262)</b>	<b>14,664,606</b>

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

# St. Mary's Hospital Foundation

## Balance sheet

As at March 31, 2015

	Notes	2015	2014
		\$	\$
<b>Assets</b>			
Current assets			
Cash		509,928	32,663
Accounts receivable		73,367	70,663
Prepaid expenses		27,473	15,595
		<b>610,768</b>	118,921
Portfolio investments	4	12,686,084	12,133,921
Investment in a subsidiary	5	1,507,478	1,904,907
Capital assets	6	49,324	41,460
		<b>14,853,654</b>	14,199,209
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accruals		6,355	9,590
Due to St. Mary's Hospital Center		49,604	49,780
Unearned revenue		133,089	109,597
		<b>189,048</b>	168,967
Pledges payable	11		
<b>Fund balances</b>			
Endowment	8	7,329,057	6,836,615
Externally restricted	9	7,417,487	6,527,672
General			
Invested in capital assets		49,324	41,460
Unrestricted		(131,262)	624,495
		<b>14,664,606</b>	14,030,242
		<b>14,853,654</b>	14,199,209

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

Approved by the Board

\_\_\_\_\_, Director

\_\_\_\_\_, Director

# St. Mary's Hospital Foundation

## Statement of cash flows

Year ended March 31, 2015

	Notes	2015	2014
		\$	\$
<b>Operating activities</b>			
Excess of income over expenditures		634,364	923,649
Adjustments for			
Amortization of capital assets		8,240	3,216
Realized gains and losses on investments		(540,702)	(454,094)
Change in fair value of investments		(317,423)	(1,327,527)
Net loss of a subsidiary	5	110,861	331,042
		(104,660)	(523,714)
Changes in non-cash operating working capital items			
Accounts receivable		(2,704)	25,765
Prepaid expenses		(11,878)	16,382
Accounts payable and accruals		(3,235)	(113,810)
Due to St. Mary's Hospital Center		(176)	3,845
Unearned revenue		23,492	(22,444)
		(99,161)	(613,976)
<b>Investing activities</b>			
Acquisition of capital assets		(16,104)	(41,576)
Variation of portfolio investments		305,962	(427,421)
Return from a subsidiary	5	286,568	206,950
		576,426	(262,047)
Net increase (decrease) in cash		477,265	(876,023)
Cash, beginning of year		32,663	908,686
<b>Cash, end of year</b>		<b>509,928</b>	<b>32,663</b>

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



# St. Mary's Hospital Foundation

## Notes to the financial statements

March 31, 2015

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### 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. 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.

The Endowment Fund records donations that are subject to donor stipulations requiring the capital to be maintained. The fund balance consists of original endowment contributions plus cumulative investment income required to be reinvested in endowment capital as per the Foundation's current Capital Funds' Governance Policy.

The Restricted Fund includes resources that are subject to requirements specified by the donors, including investment income earned on endowment funds established for restricted purposes. The fund balance consists of restricted funds received but not yet spent.

The General Fund records all unrestricted activities, which includes sources of funds that are not subject to specific stipulation and are available for operations or as directed by the Board of Directors. Funds invested in capital assets report the capital assets less their accumulated amortization.

#### *Investment income*

Investment income is recorded when earned. Investment income is allocated in accordance with the Foundation's Capital Funds' Governance Policy. Unrestricted investment income is recorded in the General Fund. In order to preserve endowment capital against inflation, only a prescribed percentage, as determined by the Board, of the opening fair value of endowment capital is made available for spending and is recorded in the Restricted Fund. Any excess of actual investment income earned on endowments over the prescribed amount is recorded as investment income in the Endowment Fund. In the event of a shortfall, a negative investment income is recorded in the Endowment Fund drawing down on investment income previously accumulated.

#### *Donations*

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

**2. Accounting policies (continued)**

*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.

*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 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.

**2. Accounting policies (continued)**

*Financial instruments (continued)*

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 the statement of operations in the period the reversal occurs.

*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.

**3. Investment income**

Investment income is composed of:

	<b>2015</b>	2014
	\$	\$
Interest	<b>126,388</b>	103,658
Dividends and other distributions	<b>226,769</b>	320,020
Realized gains and losses	<b>540,702</b>	454,094
Unrealized change in fair value	<b>317,423</b>	1,327,527
	<b>1,211,282</b>	2,205,299

**3. Investment income (continued)**

The allocation of investment income is made in accordance with the Foundation's Capital Funds' Governance policy described in Note 2, resulting in the presentation of investment income in the statement of income and expenditures as follows:

	<b>2015</b>	2014
	\$	\$
Endowment Fund	<b>183,286</b>	617,775
Restricted Fund	<b>307,648</b>	258,704
General Fund	<b>720,348</b>	1,328,820
	<b>1,211,282</b>	2,205,299

**4. Portfolio investments**

	<b>2015</b>	2014
	\$	\$
Cash and cash equivalents	<b>612,312</b>	151,648
Bonds – Canadian	<b>3,903,712</b>	3,634,786
Shares – Canadian	<b>2,715,152</b>	2,845,714
Shares – foreign	<b>5,454,908</b>	5,501,773
	<b>12,686,084</b>	12,133,921

*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 mitigated because of the Foundation's diversification of its investment portfolio.

*Currency risk*

The Foundation has investments in foreign currencies and is accordingly subject to risk arising from currency rate changes. The fair value of US shares is translated at the currency rate as at March 31, which was 1.2683 in 2015 (1.1053 in 2014).

**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, 2015 – Canadian bonds				
1.24% – 6.75%	3,197,284	—	—	3,197,284
1.48% – 11.00%	—	706,428	—	706,428
	<b>3,197,284</b>	<b>706,428</b>	<b>—</b>	<b>3,903,712</b>

	Maturity			Total
	0-5 years	6-10 years	+10 years	
	\$	\$	\$	\$
As at March 31, 2014 – Canadian bonds				
1.32% – 6.75%	2,393,597	—	—	2,393,597
1.40% – 11.00%	—	1,241,189	—	1,241,189
	<b>2,393,597</b>	<b>1,241,189</b>	<b>—</b>	<b>3,634,786</b>

*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**

	2015	2014
	\$	\$
9030-9329 Quebec Inc., wholly-owned		
Advance, non-interest bearing and without specific terms of repayment	4,099,744	4,386,312
Shares, at equity value	(2,592,266)	(2,481,405)
	<b>1,507,478</b>	<b>1,904,907</b>

**St. Mary's Hospital Foundation**  
**Notes to the financial statements**  
 March 31, 2015

**5. Investment in a subsidiary (continued)**

The subsidiary is not consolidated in the Foundation's financial statements. The financial summary of the subsidiary as at March 31, 2015 and March 31, 2014, and for the years then ended is as follows:

	2015	2014
	\$	\$
Total assets	1,655,309	1,978,215
Total liabilities	4,247,575	4,459,620
Shareholder's deficiency	(2,592,266)	(2,481,405)
Total income	518,697	488,193
Total expenses	629,558	819,235
Net loss	(110,861)	(331,042)

	2015	2014
	\$	\$
Cash inflows (outflows)		
Total operating activities	220,192	(65,038)
Total investing activities	64,779	(23,694)
Total financing activities	(286,568)	(206,950)
Net decrease in cash	(1,597)	(295,682)

**6. Capital assets**

	2015			2014
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and equipment	163,216	141,097	22,119	10,855
Leasehold improvements	31,525	4,320	27,205	30,605
	194,741	145,417	49,324	41,460

**7. Transfers between Funds**

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, 2015

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**8. Endowment**

	<b>2015</b>	2014
	\$	\$
McGill Chair – Family & Community Medicine Research	<b>2,209,147</b>	2,150,524
McGill Chair – Community Cancer Care	<b>3,201,332</b>	2,827,104
Family Medicine	<b>81,781</b>	79,611
Oncology	<b>187,058</b>	182,094
Helene Derouin Renaud	<b>220,266</b>	214,348
Johnson Fund for Geriatrics	<b>146,442</b>	142,556
Edward Tinmouth	<b>274,083</b>	266,810
Gail Hutchison	<b>204,275</b>	190,353
St George's Lodge	<b>119,002</b>	115,844
Renal Dialysis	<b>202,380</b>	197,010
Hingston Grant/Med Leadership	<b>110,566</b>	107,632
J. Desmarais Fund for Nurses	<b>64,858</b>	63,137
I.C.U. Fund	<b>81,072</b>	78,921
Ophthalmology	<b>64,858</b>	63,137
Governors St. Mary's Legacy	<b>11,382</b>	11,080
Arvind K. Joshi Nursing Reseach Fellowship	<b>150,555</b>	146,454
	<b>7,329,057</b>	6,836,615

**St. Mary's Hospital Foundation**  
**Notes to the financial statements**  
March 31, 2015

**9. Externally restricted**

	2015	2014
	\$	\$
Campus Development Project	4,263,460	3,282,853
Disbursable Endowment Interest	666,104	495,720
Cancer Care Program	675,360	627,877
Medicine	513,360	573,509
Women Health and Wellness Initiative	144,748	197,616
Breast Diagnostic Center SMH	10,119	109,809
Healthexperiences.ca	29,938	165,000
Pulmonary General	16,383	15,783
Radiology Fund	24,560	24,560
Heart & Stroke	87,679	76,814
Vascular Lab	17,064	16,809
Orthopedic	30,030	33,302
Anaesthesia - Acute Pain Control	14,843	14,843
Urology	55,897	27,922
Pharmacy	93,704	147,883
Professional Advancement	252,292	242,530
Orthopaedic Fellowship	125,845	66,778
Rheumatology Education	14,359	—
Psychiatry Department	28,180	23,482
Emergency	15,742	21,563
Renal Dialysis	16,213	32,142
Ophthalmology Staff Development	26,878	25,343
Ophthalmology	47,071	50,283
Intensive Care Unit	10,404	10,018
Geriatrics	20,946	17,559
Family Medicine	43,004	37,343
Recreation Therapy	18,653	17,898
Other	154,651	172,433
	<b>7,417,487</b>	<b>6,527,672</b>



**St. Mary's Hospital Foundation**  
**Notes to the financial statements**  
March 31, 2015

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**10. Pledges receivable**

At year-end, the Foundation had pledges receivable totalling \$9,309,026, which are receivable up to 2024 as follows:

	\$
2016	2,094,188
2017	1,659,188
2018	1,050,450
2019	1,295,200
2020	1,110,000
2021	550,000
2022	550,000
2023	500,000
2024	500,000
	<u>9,309,026</u>

**11. Pledges payable**

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

	\$
Ophthalmology	136,000
Women's Health Initiative	29,938
Campus Development	500,000
McGill Chair	227,500
Rosy Cancer Network	2,900,000
Medical research, support and grants	2,150,000
	<u>5,943,438</u>

The timing of disbursement of these pledges will depend on the timing of the Hospital's execution of its plans in these areas and subject to the disposable net income of the Foundation. In addition, the Foundation has pledged up to \$10,000,000 related to the West Wing Expansion project, should it occur. The exact amount to be disbursed may vary from the amount pledged.

**12. 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, 2015, the most significant financial liabilities are accounts payable and accruals and due to St. Mary's Hospital Center.

**St. Mary's Hospital Foundation****Schedule of donations made to St. Mary's Hospital Center**

Year ended March 31, 2015

	2015	2014
	\$	\$
<b>From restricted funds</b>		
Cancer care	400,644	251,190
Medicine	104,447	91,943
Pharmacy fund	29,579	34,221
Professional advancement	49,440	72,163
Psychiatry	200	3,900
Emergency	10,000	—
Renal dialysis	20,855	3,937
Ophthalmology	12,753	8,597
Intensive care unit	—	380
Geriatrics	2,421	8,824
Family Medicine	12,318	2,811
Clinical teaching unit – 5 south	5,622	21,712
Surgery – 6 south	701	—
Other projects – outside event	506	9,100
Diabetic clinic	1,862	3,500
Women's Wellness Initiative	56,028	136,006
	<b>707,376</b>	<b>648,284</b>
<b>From unrestricted general funds</b>		
Medical research, support and grants	1,935,000	1,935,000
Equipment and construction	511,468	1,000,000
	<b>2,446,468</b>	<b>2,935,000</b>
	<b>3,153,844</b>	<b>3,583,284</b>