
Financial statements of
St. Mary's Hospital Foundation

March 31, 2018

Independent Auditor’s Report	1–2
Statement of income and expenditures.....	3
Statement of changes in fund balances	4
Balance sheet	5
Statement of cash flows	6
Notes to the financial statements	7–14
Schedule of donations made to St. Mary’s Hospital Center.....	15



Deloitte LLP
La Tour Deloitte
1190 Avenue des
Canadiens-de-Montréal
Suite 500
Montréal QC H3B 0M7
Canada

Tel: 514-393-7115
Fax: 514-390-4116
www.deloitte.ca

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 (the "Foundation"), which comprise the balance sheet as at March 31, 2018, and the statements of income and expenditures, changes in 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 this revenue 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, excess of income over expenditures, cash flows from operating activities for the years ended March 31, 2018 and 2017, current assets as at March 31, 2018 and 2017, and fund balances as at March 31, 2018 and 2017. 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, 2018, 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 LLP¹

June 18, 2018

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

St. Mary's Hospital Foundation
Statement of income and expenditures
Year ended March 31, 2018

		2018			2017
Notes		Endowment Fund	Restricted Fund	General Fund	Total
		\$	\$	\$	\$
Income					
		26,405	928,002	4,907,483	5,861,890
		(66,455)	346,211	651,479	931,235
	3	(40,050)	1,274,213	5,558,962	6,793,125
Expenditures					
		—	—	752,241	752,241
		—	28,132	710,499	738,631
		—	—	254,007	254,007
		—	—	83,663	83,663
		—	—	9,390	9,390
		—	28,132	1,809,800	1,837,932
		(40,050)	1,246,081	3,749,162	4,955,193
		—	(253,119)	(1,105,000)	(1,358,119)
		—	(135,000)	(304,000)	(439,000)
		(40,050)	857,962	2,340,162	3,158,074
	5	—	—	3,141,365	3,141,365
		(40,050)	857,962	5,481,527	6,299,439

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

St. Mary's Hospital Foundation
Statement of changes in fund balances
Year ended March 31, 2018

	Endowment	Restricted Fund	Invested in capital assets	Unrestricted	Total
	\$	\$	\$	\$	\$
Balance as at March 31, 2016	7,081,616	8,505,259	39,465	(940,281)	14,686,059
Excess (deficiency) of income over expenditures	611,970	824,777	(9,449)	1,972,472	3,399,770
Balance as at March 31, 2017	7,693,586	9,330,036	30,016	1,032,191	18,085,829
Excess (deficiency) of income over expenditures	(40,050)	857,962	(9,390)	5,490,917	6,299,439
Interfund transfer	710,034	—	—	(710,034)	—
Balance as at March 31, 2018	8,363,570	10,187,998	20,626	5,813,074	24,385,268

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

St. Mary's Hospital Foundation

Balance sheet

As at March 31, 2018

	Notes	2018	2017
		\$	\$
Assets			
Current assets			
Cash		2,499,745	2,500,198
Accounts receivable		99,342	142,465
Prepaid expenses		50,909	65,915
		2,649,996	2,708,578
Portfolio investments	4	23,058,459	18,773,439
Investment in a subsidiary	5	508,847	—
Capital assets	6	20,626	30,016
		26,237,928	21,512,033
Liabilities			
Current liabilities			
Accounts payable and accruals		172,065	31,064
Due to St. Mary's Hospital Center		1,631,895	3,362,160
Unearned revenue		48,700	32,980
		1,852,660	3,426,204
Pledges payable	11		
Fund balances			
Endowment	8	8,363,570	7,693,586
Externally restricted	9	10,187,998	9,330,036
General			
Invested in capital assets		20,626	30,016
Unrestricted		5,813,074	1,032,191
		24,385,268	18,085,829
		26,237,928	21,512,033

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

Approved by the Board

_____, Director

_____, Director

St. Mary's Hospital Foundation

Statement of cash flows

Year ended March 31, 2018

	Notes	2018	2017
		\$	\$
Operating activities			
Excess of income over expenditures		6,299,439	3,399,770
Adjustments for:			
Amortization of capital assets		9,390	9,449
Realized gains on investments		(1,612,248)	(204,454)
Unrealized change in fair value of investments		1,289,422	(1,498,211)
Net (income) loss of a subsidiary	5	(3,141,365)	23,446
		2,844,638	1,730,000
Changes in non-cash operating working capital items			
Accounts receivable		43,123	(19,456)
Prepaid expenses		15,006	(26,086)
Accounts payable and accruals		141,001	(11,319)
Due to St. Mary's Hospital Center		(1,730,265)	1,618,588
Unearned revenue		15,720	(79,195)
		1,329,223	3,212,532
Investing activities			
Acquisition of investments		(19,261,239)	(11,670,363)
Proceeds on sale of investments		15,299,045	7,032,836
Decrease in advance to a subsidiary		2,632,518	1,484,577
		(1,329,676)	(3,152,950)
Net (decrease) increase in cash		(453)	59,582
Cash, beginning of year		2,500,198	2,440,616
Cash, end of year		2,499,745	2,500,198

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

1. Nature of the activities of the Foundation

The St. Mary's Hospital Foundation (the "Foundation") is incorporated under Part III of the *Companies Act* (Quebec) as a not-for-profit organization and is a registered charity within the meaning of the *Income Tax Act*. Under the *Income Tax Act*, the Foundation is classified as a public foundation and is subject to the articles thereof. The objective of the Foundation is to raise funds for the needs of St. Mary's Hospital Center (the "Hospital") that are not funded by the ministère de la Santé et des Services sociaux. The Hospital is a McGill affiliated CHAU accredited community hospital.

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. Because of the difficulty in determining their fair value, 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 owned 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, except for related-party balances, 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 portfolio 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 portfolio investments 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 income and expenditures 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 income and expenditures 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 income and expenditures 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. Revenue 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, 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. Actual results could differ from these estimates.

3. Investment income

	2018	2017
	\$	\$
Interest	206,444	146,768
Dividends and other distributions	401,965	275,884
Realized gains	1,612,248	204,454
Unrealized change in fair value	(1,289,422)	1,498,211
	931,235	2,125,317

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:

	2018	2017
	\$	\$
Endowment Fund	(66,455)	596,970
Restricted Fund	346,211	318,673
General Fund	651,479	1,209,674
	931,235	2,125,317

St. Mary's Hospital Foundation
Notes to the financial statements
 March 31, 2018

4. Portfolio investments, at fair value

	2018	2017
	\$	\$
Cash and cash equivalents	1,610,393	1,137,788
Bonds – Canadian	3,796,310	6,079,781
Mutual funds, bonds – Canadian	1,910,667	—
Shares – Canadian	9,052,168	5,183,872
Shares – US	6,648,487	6,371,998
Alternative investments	40,434	—
	23,058,459	18,773,439

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 29, which was 1.2894 in 2018 (1.3322 in 2017) and comprised 33.9% (51.7% in 2017) of the foreign shares balance.

Interest rate risk

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

	Maturity			
	0-5 years	6-10 years	+ 10 years	Total
	\$	\$	\$	\$
As at March 31, 2018 – Canadian bonds				
0.38% – 11.00%	3,566,113	—	—	3,566,113
2.55% – 7.88%	—	230,197	—	230,197
	3,566,113	230,197	—	3,796,310
	Maturity			
	0-5 years	6-10 years	+ 10 years	Total
	\$	\$	\$	\$
As at March 31, 2017 – Canadian bonds				
0.92% – 11.00%	5,258,486	—	—	5,258,486
2.40% – 7.88%	—	821,295	—	821,295
	5,258,486	821,295	—	6,079,781

4. Portfolio investments, at fair value (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

On November 2, 2017, the subsidiary sold its building and land resulting in a net gain of \$4,049,647. The investment in a subsidiary consists primarily of the remaining escrow proceeds from the sale.

	2018	2017
	\$	\$
9030-9329 Quebec Inc., wholly-owned subsidiary		
Advance, non-interest-bearing and without specific terms of repayment	512	2,633,030
Shares, at equity value in 2017*	508,335	(2,633,030)
	508,847	—

* Included in this number is an adjustment of \$84,199 to bring the investment carrying value to nil in 2017, and that was recognized in 2018.

The subsidiary is not consolidated in the Foundation's financial statements. The financial summary of the subsidiary as at March 31, 2018 and 2017, and for the years then ended is as follows:

	2018	2017
	\$	\$
Total assets	556,540	2,468,476
Total liabilities	48,205	5,185,704
Shareholder's equity (deficiency)	508,335	(2,717,228)
Total income	4,433,425	561,806
Total expenses	1,207,862	669,450
Net income (loss)	3,225,563	(107,644)

	2018	2016
	\$	\$
Cash inflows (outflows)		
Total operating activities	(1,167,174)	67,774
Total investing activities	6,174,417	(308,290)
Total financing activities	(5,106,710)	282,027
Net (decrease) increase in cash	(99,467)	41,511

St. Mary's Hospital Foundation
Notes to the financial statements

March 31, 2018

6. Capital assets

	2018			2017
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and equipment	163,216	159,593	3,623	9,612
Leasehold improvements	31,525	14,522	17,003	20,404
	194,741	174,115	20,626	30,016

7. Transfers between funds

The Board of Directors of the 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. In 2018, \$710,034 was transferred to the McGill Chair in Family & Community Medicine Research endowment to fully fund the Chair as per the agreement with McGill University. There were no transfers in 2017.

8. Endowment

	2018	2017
	\$	\$
McGill Chair – Family & Community Medicine Research	3,000,002	2,309,843
McGill Chair – Community Cancer Care	3,318,556	3,347,359
Family Medicine	84,773	85,509
Oncology	193,901	195,584
Helene Derouin Renaud	228,590	230,574
Johnson Fund for Geriatrics	166,978	163,434
Edward Tinmouth	284,110	286,576
Gail Hutchison	243,623	233,355
St. George's Lodge	123,356	124,426
Renal Dialysis	209,784	211,605
Hingston Grant/Med Leadership	114,611	115,606
J. Desmarais Fund for Nurses	67,230	67,814
I.C.U. Fund	84,038	84,768
Ophthalmology	67,230	67,814
Governors of St. Mary's Legacy	19,706	11,901
Arvind K. Joshi Nursing Research Fellowship	156,064	157,418
Joyce Stuart Slapcoff	1,018	—
	8,363,570	7,693,586

St. Mary's Hospital Foundation
Notes to the financial statements
 March 31, 2018

9. Externally restricted

	2018	2017
	\$	\$
Campus Development Project	6,355,321	6,163,221
Disbursable Endowment Interest	958,722	758,391
Medicine	546,789	527,018
Cancer Care Program	502,103	455,859
Professional Advancement	214,484	215,774
RCN – Oncology Director's Fund	135,742	62,930
Women's Health and Wellness Initiative	131,789	130,183
Heart & Stroke	129,302	114,819
Orthopedic Fellowship	123,642	131,884
SMHC Medical Physicians Fund	111,576	—
Other fund balances of less than \$100,000 each	978,528	769,957
	10,187,998	9,330,036

10. Pledges not recognized in the financial statements

At year-end, the Foundation had received pledges totalling \$2,727,200, which are receivable up to 2022, as follows:

	\$
2019	2,050,000
Thereafter	677,200

11. Pledges made, but not recognized in the financial statements

At year-end, the Foundation's outstanding pledges to the Hospital over a period up to ten years were as follows:

	\$
NSQIP Implementation	217,794
5 th Floor In-Patient Cancer Care Renovation	2,386,831
McGill Chair	235,000
Rosby Cancer Network	2,496,000
McGill Orthopaedic Fellowship	300,000
Equipment Funding for Orthopaedic Department	380,000
Fellowship Funding – SMHC OBGYN Department	23,000
Stellar Detectors for CT Scan at SMHC	250,000
	6,288,625

In addition, the Foundation has pledged \$15,000,000 to support the west wing construction of two floors subject to conditions regarding the feasibility of the project and other matters specified by the Foundation. Any disbursements related to this pledge are not expected to be made for approximately five years.

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 cash availability of the Foundation.

12. Financial instruments

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, 2018, 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, 2018

	2018	2017
	\$	\$
From Restricted Funds		
Cancer care	186,430	226,025
Medicine	20,520	17,621
Pharmacy fund	8,149	9,036
Professional advancement	11,851	40,175
Psychiatry	899	3,100
Renal dialysis	80	529
Emergency	9	—
Ophthalmology	11,007	7,445
Geriatrics	—	750
Family Medicine	686	961
Clinical teaching unit – 5 south	398	4,689
Other projects – outside events	4,014	159,936
Diabetic clinic	3,500	4,200
Women's Health and Wellness Initiative	29	25,000
Culture of Care	5,547	—
	253,119	499,467
From General Funds – Unrestricted		
Medical research, support and grants	1,105,000	1,515,150
	1,358,119	2,014,617