
Financial statements of
St. Mary's Hospital Foundation

March 31, 2019

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Independent Auditor's Report

To the Members of
St. Mary's Hospital Foundation

Qualified Opinion

We have audited the financial statements of St. Mary's Hospital Foundation (the "Foundation"), which comprise the balance sheet as at March 31, 2019, and the statements of income and expenditures, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2019, 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue 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 any adjustments might be necessary to recorded donations, the excess of income over expenditures, and cash flows from operations for the years ended March 31, 2019 and 2018, current assets as at March 31, 2019 and 2018, and net assets as at April 1 and March 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended March 31, 2018, was also modified because of the possible effects of this scope limitation.

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

June 12, 2019

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

St. Mary's Hospital Foundation
Statement of income and expenditures
Year ended March 31, 2019

		2019				2018
Notes/ Schedule	Endowment Fund	Restricted Fund	General Fund	Total	Total	
	\$	\$	\$	\$	\$	
Income						
Donations	22,650	785,888	4,564,002	5,372,540	5,861,890	
Investment income (loss)	(25,559)	376,361	1,036,645	1,387,447	931,235	
	(2,909)	1,162,249	5,600,647	6,759,987	6,793,125	
Expenditures						
Salaries and consultants	—	—	746,825	746,825	752,241	
Expenses – Special events	—	32,632	646,786	679,418	738,631	
Administrative and fundraising expenses	—	—	233,857	233,857	254,007	
Investment expenses	—	—	107,281	107,281	83,663	
Amortization of capital assets	—	—	7,269	7,269	9,390	
	—	32,632	1,742,018	1,774,650	1,837,932	
Excess of income over expenditures before the following items	(2,909)	1,129,617	3,858,629	4,985,337	4,955,193	
Donations to St. Mary's Hospital Center Chairs and special projects	—	(1,385,656)	(1,637,126)	(3,022,782)	(1,358,119)	
	—	(128,750)	(373,000)	(501,750)	(439,000)	
Excess of income over expenditures before net (loss) income of a subsidiary	(2,909)	(384,789)	1,848,503	1,460,805	3,158,074	
Net (loss) income of a subsidiary	—	—	(505,898)	(505,898)	3,141,365	
Excess of income over expenditures	(2,909)	(384,789)	1,342,605	954,907	6,299,439	

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

St. Mary's Hospital Foundation
Statement of changes in fund balances
Year ended March 31, 2019

	Endowment	Restricted Fund	Invested in capital assets	Unrestricted	Total
	\$	\$	\$	\$	\$
Balance as at March 31, 2017	7,693,586	9,330,036	30,016	1,032,191	18,085,829
Excess 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
Excess of income over expenditures	(2,909)	(384,789)	(7,269)	1,349,874	954,907
Acquisition of capital assets	—	—	1,839	(1,839)	—
Interfund transfer	—	353,301	—	(353,301)	—
Balance as at March 31, 2019	8,360,661	10,156,510	15,196	6,807,808	25,340,175

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

St. Mary's Hospital Foundation

Balance sheet

As at March 31, 2019

	Notes	2019	2018
		\$	\$
Assets			
Current assets			
Cash		1,086,809	2,499,745
Accounts receivable		409,502	99,342
Prepaid expenses		52,257	50,909
		1,548,568	2,649,996
Portfolio investments, at fair value	4	26,824,768	23,058,459
Investment in a subsidiary	5	2,800	508,847
Capital assets	6	15,196	20,626
		28,391,332	26,237,928
Liabilities			
Current liabilities			
Accounts payable and accruals		93,433	172,065
Due to St. Mary's Hospital Center		2,881,699	1,631,895
Unearned revenue		76,025	48,700
		3,051,157	1,852,660
Pledges payable commitments	11		
Fund balances			
Endowment	8	8,360,661	8,363,570
Externally restricted	9	10,156,510	10,187,998
General			
Invested in capital assets		15,196	20,626
Unrestricted		6,807,808	5,813,074
		25,340,175	24,385,268
		28,391,332	26,237,928

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

Approved by the Board

_____, Director

_____, Director

St. Mary's Hospital Foundation**Statement of cash flows**

March 31, 2019

	Notes	2019	2018
		\$	\$
Operating activities			
Excess of income over expenditures		954,907	6,299,439
Adjustments for:			
Amortization of capital assets		7,269	9,390
Realized gains on investments		(162,092)	(1,612,248)
Unrealized change in fair value of investments		(481,946)	1,289,422
Net loss (income) of a subsidiary	5	505,898	(3,141,365)
		824,036	2,844,638
Changes in non-cash operating working capital items			
Accounts receivable		(310,160)	43,123
Prepaid expenses		(1,348)	15,006
Accounts payable and accruals		(78,632)	141,001
Due to St. Mary's Hospital Center		1,249,804	(1,730,265)
Unearned revenue		27,325	15,720
		1,711,025	1,329,223
Investing activities			
Acquisition of capital assets		(1,839)	—
Acquisition of investments		(12,452,260)	(19,261,239)
Proceeds on sale of investments		9,329,989	15,299,045
Decrease in advance to a subsidiary		149	2,632,518
		(3,123,961)	(1,329,676)
Net decrease in cash		(1,412,936)	(453)
Cash, beginning of year		2,499,745	2,500,198
Cash, end of year		1,086,809	2,499,745

The accompanying notes and supporting schedule 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* (Québec) 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 life 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 income 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 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 the statement of income and expenditures. 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 revenues 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

	2019	2018
	\$	\$
Interest	268,835	206,444
Dividends and other distributions	474,574	401,965
Realized gains on investments	162,092	1,612,248
Unrealized change in fair value of investments	481,946	(1,289,422)
	1,387,447	931,235

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:

	2019	2018
	\$	\$
Endowment Fund	(25,559)	(66,455)
Restricted Fund	376,361	346,211
General Fund	1,036,645	651,479
	1,387,447	931,235

4. Portfolio investments, at fair value

	2019	2018
	\$	\$
Cash and cash equivalents	2,358,249	1,610,393
Bonds – Canadian	4,118,981	3,796,310
Mutual funds, bonds – Canadian	2,374,201	1,910,667
Shares – Canadian	9,753,532	9,052,168
Shares – Foreign	8,176,155	6,648,487
Alternative investments	43,650	40,434
	26,824,768	23,058,459

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 1.3363 in 2019 (1.2894 in 2018) and comprised 49.5% (33.9% in 2018) of the foreign shares balance.

Interest rate risk

The Foundation has interest rate risk from the impact of changes in interest rates on the fair value of fixed-income investments. The Foundation's bonds bear interest at rates ranging from 1.55%-11.00% (0.38%-11.00%) and mature within the next five years (six years in 2018).

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.

	2019	2018
	\$	\$
9030-9329 Québec Inc., wholly-owned subsidiary		
Advance, non-interest-bearing and without specific terms of repayment	363	512
Shares, at equity value	2,437	508,335
	2,800	508,847

The subsidiary is not consolidated in the Foundation's financial statements. The financial summary of the subsidiary as at March 31, 2019 and 2018, and for the years then ended is as follows:

	2019	2018
	\$	\$
Total assets	54,248	556,540
Total liabilities	51,811	48,205
Shareholder's equity	2,437	508,335
Total income	4,879	4,433,425
Total expenses	510,777	1,207,862
Net (loss) income	(505,898)	3,225,563

	2019	2018
	\$	\$
Cash inflows (outflows)		
Total operating activities	41,182	(1,167,174)
Total investing activities	—	6,174,417
Total financing activities	(149)	(5,106,710)
Net decrease in cash	41,033	(99,467)

Total expenses of the subsidiary include a donation to the Foundation of \$475,000 (\$705,000 in 2018)

6. Capital assets

	2019			2018
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and equipment	165,056	163,462	1,594	3,623
Leasehold improvements	31,524	17,922	13,602	17,003
	196,580	181,384	15,196	20,626

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 2019, \$353,301 was transferred: \$275,277 to cover the disbursement deficit for the McGill Chair in Family & Community Research and \$78,024 to cover the purchase of orthopedic and ER equipment. 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.

8. Endowment

	2019	2018
	\$	\$
McGill Chair – Family & Community Medicine Research	2,990,915	3,000,002
McGill Chair – Community Cancer Care	3,308,504	3,318,556
Family Medicine	84,516	84,773
Oncology	193,314	193,901
Helene Derouin Renaud	228,492	228,590
Johnson Fund for Geriatrics	171,422	166,978
Edward Tinmouth	283,250	284,110
Gail Hutchison	254,815	243,623
St. George's Lodge	127,932	123,356
Renal Dialysis	209,149	209,784
Hingston Grant/Med Leadership	114,264	114,611
J. Desmarais Fund for Nurses	67,027	67,230
I.C.U. Fund	83,783	84,038
Ophthalmology	67,027	67,230
Governors of St. Mary's Legacy	19,646	19,706
Arvind K. Joshi Nursing Research Fellowship	155,590	156,064
Joyce Stuart Slapcoff	1,015	1,018
	8,360,661	8,363,570

9. Externally restricted

	2019	2018
	\$	\$
Campus Development Project	6,208,518	6,355,321
Disbursable Endowment Interest	1,152,669	958,722
Medicine	455,067	546,789
Cancer Care Program	414,548	502,103
Professional Advancement	214,484	214,484
Nursing Alumni	189,236	-
Heart & Stroke	141,883	129,302
Women's Health and Wellness Initiative	134,039	131,789
RCN – Oncology Director's Fund	125,707	135,742
SMHC Medical Physicians Fund	112,342	111,576
Orthopedic Fellowship	83,977	123,642
Other fund balances of less than \$100,000 each	924,040	978,528
	10,156,510	10,187,998

10. Pledges receivable, not recognized in the financial statements

At year-end, the Foundation had received pledges totalling \$2,216,450, which are receivable up to 2022, as follows:

	\$
2020	2,112,950
Thereafter	103,500

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:

	\$
McGill Chair	220,625
Rossy Cancer Network	2,223,000
5 th Floor In-Patient Cancer Care Renovation	2,157,677
Medical Research and Teaching	1,242,850
NQSIP Implementation	217,794
McGill Orthopaedic Fellowship	300,000
Equipment Funding for Orthopaedic Department	325,300
Fellowship Funding – SMHC OBGN Department	23,000
Stellar Detectors for CT Scan at SMHC	250,000
Video Conference Room at SMHC	40,000
Project Coordinator – Dr. Lambert Research Grant	400,000
Vascular Equipment	74,000
Surgery waiting room renovations	100,000
Simulation Room in Emergency	75,000
Residents' Rooms (2)	40,000
Ultrasound for Anesthesiology	80,000
	7,769,246

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 expected to be made in the next 3 to 5 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, 2019, the most significant financial liabilities are accounts payable and accruals and due to St. Mary's Hospital Center.

St. Mary's Hospital Foundation**Supporting schedule**

Year ended March 31, 2019

Donations to St. Mary's Hospital Center – Schedule A

	2019	2018
	\$	\$
From Restricted Funds		
Cancer care	759,041	186,430
Medicine	191,431	20,520
Pharmacy fund	2,368	8,149
Professional advancement	47,476	11,851
Psychiatry	9,542	899
Renal dialysis	6,597	80
Emergency	40,447	9
Ophthalmology	4,649	11,007
Intensive Care	107	—
Family Medicine	—	686
Clinical teaching unit – 5 south	—	398
Other projects – outside events	319,801	4,014
Diabetic clinic	2,100	3,500
Women's Health and Wellness Initiative	—	29
Culture of care	2,097	5,547
	1,385,656	253,119
From General Funds – Unrestricted		
Medical research, support and grants	1,637,126	1,105,000
	3,022,782	1,358,119