Financial statements of

St. Mary's Hospital Foundation

March 31, 2021

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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, 2021, 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, 2021, 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 ("ASNPO").

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 (deficiency) of income over expenditures, and cash flows from operations for the years ended March 31, 2021 and 2020, current assets as at March 31, 2021 and 2020, and net assets as at April 1 and March 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended March 31, 2020, 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 ASNPO, 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[1]

June 16, 2021

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

St. Mary's Hospital Foundation
Statement of income and expenditures
Year ended March 31, 2021

	Notes/ Schedule	Endowment Fund	Restricted Fund	General Fund	2021 Total	2020 Total
		$	$	$	$	$
Income						
Donations and events revenue		**30,732**	**2,382,120**	**1,611,027**	**4,023,879**	4,887,018
Investment income (loss)	3	**1,627,640**	**291,792**	**4,458,126**	**6,377,558**	(1,852,719)
Other Income	13	**—**	**—**	**218,588**	**218,588**	—
		1,658,372	**2,673,912**	**6,287,741**	**10,620,025**	3,034,299
Expenditures						
Salaries		**—**	**—**	**829,649**	**829,649**	780,994
Expenses – special events		**—**	**39,613**	**7,559**	**47,172**	589,295
Administrative and fundraising expenses		**—**	**—**	**256,226**	**256,226**	205,620
Investment expenses		**—**	**—**	**114,393**	**114,393**	113,859
Amortization of capital assets		**—**	**—**	**4,114**	**4,114**	3,947
		—	**39,613**	**1,211,941**	**1,251,554**	1,693,715
Excess of income over expenditures before the following items		**1,658,372**	**2,634,299**	**5,075,800**	**9,368,471**	1,340,584
Donations to St. Mary's Hospital Center	A	**—**	**(1,525,958)**	**(903,520)**	**(2,429,478)**	(3,011,332)
Chairs and special projects		**—**	**(120,000)**	**(103,260)**	**(223,260)**	(257,000)
Excess (deficiency) of income over expenditures before loss of a subsidiary		**1,658,372**	**988,341**	**4,069,020**	**6,715,733**	(1,927,748)
Net loss of a subsidiary		**—**	**—**	**—**	**—**	(2,437)
Excess (deficiency) of income over expenditures		**1,658,372**	**988,341**	**4,069,020**	**6,715,733**	(1,930,185)

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, 2021

	Notes	Endowment	Restricted Fund	Invested in capital assets	Unrestricted	Total
		$	$	$	$	$
Balance as at March 31, 2019		8,360,661	10,156,510	15,196	6,807,808	25,340,175
Deficiency of income over expenditures		(828,343)	(555,692)	(3,947)	(542,203)	(1,930,185)
Acquisition of capital assets		—	—	1,410	(1,410)	—
Interfund transfer	7	—	(283,566)	—	283,566	—
Balance as at March 31, 2020		**7,532,318**	**9,317,252**	**12,659**	**6,547,761**	**23,409,990**
Excess (deficiency) of income over expenditures		**1,658,372**	**988,341**	**(4,114)**	**4,073,134**	**6,715,733**
Interfund transfer	7	**—**	**202,954**	**—**	**(202,954)**	**—**
Balance as at March 31, 2021		**9,190,690**	**10,508,547**	**8,545**	**10,417,941**	**30,125,723**

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, 2021

	Notes	2021	2020
		$	$
Assets			
Current assets			
Cash		**333,941**	460,364
Accounts receivable		**221,195**	186,579
Receivable from subsidiary	5	**—**	37,332
Prepaid expenses		**58,607**	65,333
		613,743	749,608
Portfolio investments, at fair value	4	**30,666,039**	24,818,485
Capital assets	6	**8,545**	12,659
		31,288,327	25,580,752
Liabilities			
Current liabilities			
Accounts payable and accruals		**48,925**	76,845
Due to St. Mary's Hospital Center		**973,679**	2,028,912
Unearned revenue		**80,000**	65,005
		1,102,604	2,170,762
Loan – Canada Emergency Business Account (CEBA)	13	**60,000**	—
		1,162,604	2,170,762
Pledges payable commitments	10		
Fund balances			
Endowment	8	**9,190,690**	7,532,318
Externally restricted	9	**10,508,547**	9,317,252
General			
Invested in capital assets		**8,545**	12,659
Unrestricted		**10,417,941**	6,547,761
		30,125,723	23,409,990
		31,288,327	25,580,752

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

Approved by the Board

____, Director

____, Director

	Notes	2021	2020
		$	$
Operating activities			
Excess (deficiency) of income over expenditures		**6,715,733**	(1,930,185)
Adjustments for:			
Amortization of capital assets		**4,114**	3,947
Realized gains on investments		**(262,699)**	(315,455)
Unrealized change in fair value of investments		**(5,300,195)**	2,926,264
Net loss of a subsidiary	5	**—**	2,437
		1,156,953	687,008
Changes in non-cash operating working capital items			
Accounts receivable		**(34,616)**	222,923
Receivable from subsidiary		**37,332**	(37,332)
Prepaid expenses		**6,726**	(13,076)
Accounts payable and accruals		**(27,920)**	(16,588)
Due to St. Mary's Hospital Center		**(1,055,233)**	(852,787)
Unearned revenue		**14,995**	(11,020)
		98,237	(20,872)
Investing activities			
Acquisition of capital assets		**—**	(1,410)
Acquisition of investments		**(11,240,546)**	(10,860,326)
Proceeds on sale of investments		**10,955,886**	10,255,800
Decrease in advance to a subsidiary		**—**	363
		(284,660)	(605,573)
Financing activities			
Increase in Canadian Emergency Business Loan		**60,000**	—
Net decrease in cash		**(126,423)**	(626,445)
Cash, beginning of year		**460,364**	1,086,809
Cash, end of year		**333,941**	460,364

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.

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.

2. Accounting policies (continued)

Donated goods and services (continued)

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 recorded its investment in its wholly-owned subsidiary, 9030-9329 Québec Inc., using the equity method.

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.

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.

2. Accounting policies (continued)

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. Actual results could differ from these estimates.

3. Investment income (loss)

	2021	2020
	$	$
Interest	**212,732**	263,447
Dividends and other distributions	**601,932**	494,643
Realized gains on investments	**262,699**	315,455
Unrealized change in fair value of investments	**5,300,195**	(2,926,264)
	6,377,558	(1,852,719)

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:

	2021	2020
	$	$
Endowment Fund	**1,627,640**	(846,468)
Restricted Fund	**291,792**	120,260
General Fund	**4,458,126**	(1,126,511)
	6,377,558	(1,852,719)

4. Portfolio investments, at fair value

	2021	2020
	$	$
Cash and cash equivalents	**1,011,840**	2,553,525
Money market	**—**	501,579
Bonds – Canadian	**4,639,674**	3,968,962
Mutual funds, bonds – Canadian	**2,803,452**	2,501,110
Shares – Canadian	**12,367,107**	7,872,832
Shares – Foreign	**9,475,874**	7,078,037
Alternative investments	**368,092**	342,260
	30,666,039	24,818,485

4. Portfolio investments, at fair value (continued)

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 U.S. shares is translated at the currency rate as at March 31, which was 1.2575 in 2021 (1.4187 in 2020) and comprised 45.71% (51.10% in 2020) 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 0.55% to 10.95% (1.20% to 11.00% in 2020) and mature within the next six years (four years in 2020).

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

The subsidiary was dissolved on February 17, 2020, and its net assets were declared as a donation to the Foundation accounted for in the balance sheet as a receivable from a subsidiary for $37,332. The value of the investment was written off upon dissolution.

6. Capital assets

			2021	2020
	Cost	**Accumulated amortization**	**Net book value**	Net book value
	$	**$**	**$**	$
Office furniture and equipment	**166,465**	**164,722**	**1,743**	2,457
Leasehold improvements	**31,525**	**24,723**	**6,802**	10,202
	197,990	**189,445**	**8,545**	12,659

7. Interfund transfers

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 2021, $202,954 were transferred from the General Fund to the Restricted Fund with $167,954 for the renovations and operation of the coffee shop and $35,000 in financial aid to the Auxiliary. In 2020, $283,566 were transferred from the Restricted Fund to cover qualifying renovation costs of the 5th floor expensed in the General Fund in 2018-2019.

8. Endowment

	2021	2020
	$	$
McGill Chair – Family & Community Medicine Research	**3,171,931**	2,610,929
McGill Chair – Community Cancer Care	**3,670,354**	3,021,198
Family Medicine	**94,146**	77,177
Oncology	**215,339**	176,527
Helene Derouin Renaud	**256,048**	209,046
Johnson Fund for Geriatrics	**201,942**	161,486
Edward Tinmouth	**315,521**	258,653
Gail Hutchison	**310,787**	245,285
St. George's Lodge	**142,508**	116,823
Renal Dialysis	**232,978**	190,987
Hingston Grant/Med Leadership	**140,145**	104,341
J. Desmarais Fund for Nurses	**74,664**	61,206
I.C.U. Fund	**93,329**	76,508
Ophthalmology	**74,664**	61,206
Governors of St. Mary's Legacy	**21,885**	17,940
Arvind K. Joshi Nursing Research Fellowship	**173,318**	142,079
Joyce Stuart Slapcoff	**1,131**	927
	9,190,690	7,532,318

9. Externally restricted

	2021	2020
	$	$
Campus Development Project	**3,985,289**	4,929,367
Disbursable Endowment Interest	**1,314,050**	1,144,020
Senior Friendly Initiative	**1,132,225**	—
Medicine	**469,566**	462,250
Cancer Care Program	**430,761**	376,100
Dr. Hemmings Female Pelvic Medicine Fellowship	**313,678**	—
Nursing Alumni	**248,681**	248,681
Ophthalmology	**219,974**	58,956
Girls for the Cure	**215,053**	121,723
Professional Advancement	**214,483**	214,483
Pamela Prchal Fund for Advancement in Cancer	**197,956**	100,215
Heart & Stroke	**196,659**	171,710
Orthopaedic Fellowship	**174,555**	124,751
Family Medicine	**137,776**	102,068
Emergency Fund	**136,043**	98,896
SMHC Medical Physicians Fund	**125,330**	127,177
Other fund balances of less than $100,000 each	**996,468**	1,036,855
	10,508,547	9,317,252

10. Pledges receivable, not recognized in the financial statements

At year end, the Foundation had no pledges receivable ($140,462 in 2020).

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	220,000
Rossy Cancer Network	1,982,740
Medical Research and Teaching	1,232,000
5th Floor In-Patient Cancer Care Renovation	83,830
NSQIP Implementation	137,754
McGill Orthopaedic Fellowship	300,000
Equipment Funding for Orthopaedic Department	300,070
Video Conference Room at SMHC	40,000
Project Coordinator – Dr. Lambert Research Grant	115,890
Simulation Room in Emergency	14,692
Residents' Rooms	25,961
Research Scientific Director Recruitment & Retention	450,000
SMHC Site Specific Equipment (Urology, Gastroenterology, Orthopaedics, Emergency, Hemodialysis)	171,031
Ophthalmology Equipment	378,000
COVID-19 Needs	185,686
	5,637,654

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

In addition, the Foundation has pledged $15,000,000 to support the modernization project 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 three to 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. Amounts claimed by the Hospital are expensed only when properly submitted, reviewed and approved by 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, 2021, the most significant financial liabilities are accounts payable and accruals and due to St. Mary's Hospital Center.

13. Government Programs – COVID-19

In April 2020, as part of the COVID-19 pandemic economic relief, the Government of Canada announced the Canada Emergency Wage Subsidy (CEWS) to help eligible employers that experienced a reduction of revenues retain and/or to return Canadian based employees to payrolls by providing a subsidy. The CEWS program ran retroactively from March 15, 2020 through June 6, 2020, and has since then been extended a few times, and now runs to September 2021. The Foundation has determined that it met the employer eligibility criteria and applied CEWS retroactively to March 15, 2020, for applicable periods. The CEWS that was recorded as a revenue in the unrestricted fund in the statement of income and expenditures was $198,588 (nil in 2020).

The Foundation also has a line of credit of $60,000 (nil in 2020) as part of the Government-sponsored Canada Emergency Business Account. The line is non-interest-bearing and the term of repayment is to be determined on June 30, 2021, but is not mandatory until December 31, 2022. The line of credit is fully used as at March 31, 2021. An early repayment loan forgiveness of $20,000 is included in the contract, which the Foundation recognized during the year as conditions were met.

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

	2021	2020
	$	$
From Restricted Funds		
Campus development	**926,778**	1,193,307
Cancer care	**393,724**	288,230
Family medicine	**127,640**	77,895
Emergency	**60,308**	1,433
Medicine	**12,546**	41,939
Professional advancement	**—**	26,174
Other projects	**4,962**	19,674
	1,525,958	1,648,651
From General Funds – Unrestricted		
Medical research, support and grants	**903,520**	1,362,681
	2,429,478	3,011,332