Financial statements of

St. Mary's Hospital Foundation

March 31, 2023

Deloitte.

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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, 2023, 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, 2023, 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 of income over expenditures, and cash flows from operations for the years ended March 31, 2023 and 2022, current assets as at March 31, 2023 and 2022, and fund balances as at April 1 and March 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended March 31, 2022, 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]

September 19, 2023

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

St. Mary’s Hospital Foundation

Statement of income and expenditures

Year ended March 31, 2023

	Notes/ Schedule	Endowment Fund	Restricted Fund	General Fund	2023 Total	2022 Total
		$	**$**	**$**	**$**	$
Income						
Donations and events revenue		**25,125**	**1,329,625**	**4,441,538**	**5,796,288**	4,987,161
Investment income (loss)	3	**(225,835)**	**378,956**	**828,315**	**981,436**	3,272,086
Other income	12	**—**	**—**	**—**	**—**	43,461
		(200,710)	**1,708,581**	**5,269,853**	**6,777,724**	8,302,708
Expenditures						
Salaries		**—**	**—**	**958,420**	**958,420**	805,308
Expenses – events		**—**	**41,846**	**658,629**	**700,475**	198,096
Administrative and fundraising expenses		**—**	**—**	**239,754**	**239,754**	287,851
Investment expenses		**—**	**—**	**133,226**	**133,226**	131,475
Amortization of capital assets		**—**	**—**	**4,697**	**4,697**	4,114
		—	**41,846**	**1,994,726**	**2,036,572**	1,426,844
Excess (deficiency) of income over expenditures before the following items		**(200,710)**	**1,666,735**	**3,275,127**	**4,741,152**	6,875,864
Donations to St. Mary’s Hospital Center	A	**—**	**(682,523)**	**(1,571,833)**	**(2,254,356)**	(2,196,979)
Chairs and special projects		**—**	**(120,000)**	**(204,000)**	**(324,000)**	(255,940)
Excess (deficiency) of income over expenditures		**(200,710)**	**864,212**	**1,499,294**	**2,162,796**	4,422,945

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, 2023

	Notes	Endowment	Restricted Fund	Invested in capital assets	Unrestricted	Total
		$	$	$	$	$
Balance as at March 31, 2021		9,190,690	10,508,547	8,545	10,417,941	30,125,723
Excess (deficiency) of income over expenditures		522,121	870,335	(4,114)	3,034,603	4,422,945
Acquisition of capital assets		—	—	1,551	(1,551)	—
Interfund transfer	6	—	352,126	—	(352,126)	—
Balance as at March 31, 2022		**9,712,811**	**11,731,008**	**5,982**	**13,098,867**	**34,548,668**
Excess (deficiency) of income over expenditures		**(200,710)**	**864,212**	**(4,697)**	**1,503,991**	**2,162,796**
Acquisition of capital assets		**—**	**—**	**3,548**	**(3,548)**	**—**
Interfund transfer	6	**—**	**1,350,719**	**—**	**(1,350,719)**	**—**
Balance as at March 31, 2023		**9,512,101**	**13,945,939**	**4,833**	**13,248,591**	**36,711,464**

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, 2023

	Notes	**2023**	2022
		$	$
Assets			
Current assets			
Cash		**448,732**	601,464
Accounts receivable		**226,368**	144,799
Prepaid expenses		**62,387**	82,152
		737,487	828,415
Portfolio investments, at fair value	4	**37,401,341**	34,600,484
Capital assets	5	**4,833**	5,982
		38,143,661	35,434,881
Liabilities			
Current liabilities			
Accounts payable and accruals		**113,834**	60,737
Due to St. Mary’s Hospital Center		**1,113,863**	701,226
Unearned revenue		**144,500**	64,250
Loan — Canada Emergency Business Account (CEBA)		**60,000**	—
		1,432,197	826,213
Loan — Canada Emergency Business Account (CEBA)	12	**—**	60,000
		1,432,197	886,213
Pledges payable commitments	10		
Fund balances			
Endowment	7	**9,512,101**	9,712,811
Externally restricted	8	**13,945,939**	11,731,008
General			
Invested in capital assets		**4,833**	5,982
Unrestricted		**13,248,591**	13,098,867
		36,711,464	34,548,668
		38,143,661	35,434,881

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
Year ended March 31, 2023

	2023	2022
	$	$
Operating activities		
Excess of income over expenditures	**2,162,796**	4,422,945
Adjustments for:		
Amortization of capital assets	**4,697**	4,114
Realized gains on investments	**(1,367,903)**	(1,445,812)
Unrealized change in fair value of investments	**1,451,219**	(1,057,041)
Share donations received	**(287,198)**	(705,965)
	1,963,611	1,218,241
Changes in non-cash operating working capital items		
Accounts receivable	**(81,569)**	76,397
Prepaid expenses	**19,765**	(23,545)
Accounts payable and accruals	**53,097**	11,813
Due to St. Mary's Hospital Center	**412,637**	(272,454)
Unearned revenue	**80,250**	(15,750)
	2,447,791	994,702
Investing activities		
Acquisition of capital assets	**(3,548)**	(1,551)
Acquisition of investments	**(15,104,941)**	(10,738,201)
Proceeds on sale of investments	**12,507,966**	10,012,573
	(2,600,523)	(727,179)
Net (decrease) increase in cash	**(152,732)**	267,523
Cash, beginning of year	**601,464**	333,941
Cash, end of year	**448,732**	601,464

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:

Adoption of the amendments to Section 3400, Revenue

Effective January 1, 2022, the Foundation has adopted the amendments to Handbook Section 3400, *Revenue* (“Section 3400”), which provided additional guidance relating to the accounting for multiple elements of a contract, percentage of completion, determination of principal or agent, and bill and hold transactions.

The adoption of these amendments had no material impact on the disclosures, nor on the amounts recognized in the Foundation’s financial statements in the current period.

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 stipulations 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.

2. Accounting policies (continued)

Donations

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

Donated goods and services

The value of donated goods and services is recorded as revenue and an expense in the financial statements when the fair value can be reasonably estimated and when the goods and services are normally purchased and would be paid for if not donated. Furthermore, each year, many volunteers give a lot of their time to the Foundation to make sure that it can provide its services. 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

Financial instruments

Initial measurement

Financial assets and financial liabilities originated or exchanged in arm's length transactions are initially recognized at fair value when the Foundation becomes a party to the contractual provisions of the financial instrument. Financial assets and financial liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the Foundation is in the capacity of management, are initially recognized at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. The cost of financial instruments with repayment terms is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. The cost of financial instruments without repayment terms is determined using the consideration transferred or received by the Foundation in the transaction.

Subsequent measurement

Subsequently, all financial instruments are measured at amortized cost except for portfolio investments, which are measured at fair value at the balance sheet date.

Transaction costs

Transaction costs related to portfolio investments are expensed as incurred. Transaction costs for all other 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 effective interest method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the effective interest method and recognized in the statement of operations as interest income or expense.

2. Accounting policies (continued)

Financial instruments (continued)

Impairment

With respect to financial assets measured at cost or amortized cost, the Foundation recognizes in operations an impairment loss, if any, when there are indicators of impairment and 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 is reversed to 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. 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. Actual results could differ from these estimates.

3. Investment income

	2023	2022
	$	$
Interest	**477,206**	222,082
Dividends and other distributions	**587,546**	547,151
Realized gains on investments	**1,367,903**	1,445,812
Unrealized change in fair value of investments	**(1,451,219)**	1,057,041
	981,436	3,272,086

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:

	2023	2022
	$	$
Endowment Fund	**(225,835)**	500,541
Restricted Fund	**378,956**	547,151
General Fund	**828,315**	2,414,671
	981,436	3,272,086

4. Portfolio investments, at fair value

	2023	2022
	$	$
Cash and cash equivalents	**6,858,096**	3,234,848
Bonds – Canadian	**5,730,796**	5,258,107
Mutual funds, bonds – Canadian	**4,898,904**	2,927,952
Shares – Canadian	**9,928,333**	13,807,999
Shares – Foreign	**9,549,108**	8,938,787
Alternative investments	**436,104**	432,791
	37,401,341	34,600,484

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 current rate as at March 31, which was 1.3533 in 2023 (1.2496 in 2022) and comprised 36.87% (37.39% in 2022) 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 0.80% to 7.88% (0.80% to 7.88% in 2022) and mature within the next seven years (six years in 2022).

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. Capital assets

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Office furniture and equipment	117,203	112,652	4,551	2,581
Leasehold improvements	31,807	31,525	282	3,401
	149,010	144,177	4,833	5,982

6. 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 2023, $1,350,719 was transferred from the General Fund to the Restricted Fund with 100% of the net proceeds of $432,521 from the 2022 St. Mary's Masters golf tournament allocated to the Orthopaedics department, 100% of net proceeds of $884,087 from the 2022 St. Mary's Ball allocated to Campus Development, $18,868 to cover Board of Governors initiatives, $11,286 for planning the SMHC centennial celebrations and $3,957 to cover supply needs in the birthing center. In 2022, $352,126 was transferred from the General Fund to the Restricted Fund with 100% of the net proceeds of $346,172 from the 2021 St. Mary's Masters golf tournament allocated to the Cardiology department and $5,954 to cover costs of comfort kits for cancer patients.

7. Endowment

	2023	2022
	$	$
McGill Chair – Family & Community Medicine Research	3,258,803	3,340,702
McGill Chair – Community Cancer Care	3,770,876	3,865,645
Family Medicine	97,681	99,626
Oncology	223,426	227,873
Helene Derouin Renaud	265,955	271,249
Johnson Fund for Geriatrics	219,329	218,646
Edward Tinmouth	327,371	333,887
Gail Hutchison	346,615	338,242
St. George's Lodge	147,860	150,803
Renal Dialysis	241,728	246,539
Hingston Grant/Med Leadership	156,979	155,055
J. Desmarais Fund for Nurses	77,468	79,010
I.C.U. Fund	96,835	98,762
Ophthalmology	77,468	79,010
Governors of St. Mary's Legacy	22,707	23,159
Arvind K. Joshi Nursing Research Fellowship	179,827	183,406
Joyce Stuart Slapcoff	1,173	1,197
	9,512,101	9,712,811

8. Externally restricted

	2023	2022
	$	$
Campus Development Project	**4,969,055**	4,087,682
Disbursable Endowment Interest	**1,577,931**	1,440,814
Senior Friendly Initiative	**1,321,622**	1,185,955
Heart & Stroke	**685,649**	647,683
Girls for the Cure	**517,525**	347,388
Medicine	**476,584**	462,315
Cancer Care Program	**471,833**	412,603
Orthopaedic Equipment Fund	**466,802**	—
Dr. Hemmings Female Pelvic Medicine Fellowship	**414,354**	444,237
Pamela Prchal Fund for Advancement in Cancer	**412,590**	402,548
Emergency Fund	**268,635**	156,453
Orthopaedic Fellowship	**265,134**	193,894
Ophthalmology	**233,656**	224,971
Professional Advancement	**214,483**	214,483
Family Medicine	**170,497**	151,431
SMHC Medical Physicians Fund	**112,895**	132,656
SMHC Mat/Child Physicians Fund	**101,837**	100,426
Other fund balances of less than $100,000 each	**1,264,857**	1,125,469
	13,945,939	11,731,008

9. Pledges receivable, but not recognized in the financial statements

At year-end, the Foundation had received pledges totalling $5,250,000, which are receivable up to 2028 as follows:

	$
2024	2,260,000
Thereafter	2,990,000

10. 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	1,642,740
Medical Research and Teaching	1,234,000
5th Floor In-Patient Cancer Care Renovation	83,830
Additional Funding – 5th Floor	297,978
McGill Orthopaedic Fellowship & Research	190,825
Equipment Funding for Orthopaedic Department	240,632
Simulation Room in Emergency	14,692
Research Scientific Director Recruitment & Retention	450,000
SMHC Site Specific Equipment (Urology, Gastroenterology, Anesthesiology, ICU, Orthopaedics, Emergency)	359,246
Ophthalmology Equipment	378,000
Orthopaedic Project	400,000
Senior Friendly Initiative	1,224,521
Bridge Financing – Senior Friendly Initiative Renovations – to be funded by CIUSSS ODIM	1,500,000
COVID-19 Needs	138,938
Sleep Apnea Project	119,590
	8,494,992

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.

11. 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, 2022, the most significant financial liabilities are accounts payable and accruals and due to St. Mary's Hospital Center.

12. 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 by providing a subsidy. The CEWS that was recorded as a revenue in the unrestricted fund in the statement of income and expenditures was nil ($43,461 in 2022).

The Foundation also has a line of credit of $60,000 ($60,000 in 2022) as part of the Government-sponsored Canada Emergency Business Account (CEBA). The line is non-interest bearing and the term of repayment is no later than December 31, 2023. The line of credit is fully used as at March 31, 2023 and 2022. The CEBA contract includes an early repayment loan forgiveness of $20,000, which the Foundation recognized in 2021 when the conditions were met. The forgivable portion is included in accounts receivable until the loan is repaid in full.

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

	2023	2022
	$	$
From Restricted Funds		
Cancer care	**305,437**	187,442
Medicine	**154,783**	253,825
Family medicine	**89,220**	121,341
Professional Advancement	**44,302**	79,388
Campus Development	**36,827**	4,407
Geriatrics	**36,002**	—
Emergency	**2,415**	5,914
Nursing Alumni	**871**	253,157
Other projects	**12,666**	8,579
	682,523	914,053
From General Funds – Unrestricted		
Medical research, support and grants	**1,571,833**	1,282,926
	2,254,356	2,196,979