

Financial statements of

ST. MARY'S HOSPITAL FOUNDATION

March 31, 2009

ST. MARY’S HOSPITAL FOUNDATION

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Auditors' report

To the Members of
St. Mary's Hospital Foundation

We have audited the balance sheet of St. Mary's Hospital Foundation as at March 31, 2009 and the statements of income and expenditures and fund balances for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

St. Mary's Hospital Foundation derives part of its income from the general public in the form of donations which are not susceptible to a complete audit. Accordingly, our work in respect of this revenue was limited to accounting for the amounts recorded in the books of the Foundation and we were not able to determine whether any adjustments might be necessary to donations, excess (deficiency) of income over expenditures and fund balances.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Samson Béclair / Deloitte & Touche s.e.n.c.r.l.¹

May 8, 2009

¹ Chartered accountant auditor permit no 13852

ST. MARY'S HOSPITAL FOUNDATION

Balance sheet

as at March 31, 2009

	2009	2008
	\$	\$
Assets		
Current assets		
Cash	322,528	212,092
Accounts receivable	167,007	42,395
Accounts receivable from St. Mary's Auxiliary	-	215,000
Prepaid expenses	17,762	18,228
	507,297	487,715
Portfolio investments (Note 4)	8,094,166	10,476,509
Investment in a subsidiary (Note 5)	631,365	574,770
Capital assets (Note 6)	42,938	65,624
	9,275,766	11,604,618

Liabilities

Current liabilities		
Accounts payable	3,966	26,785
Due to St. Mary's Hospital	687,510	344,665
Unearned revenue	51,931	21,553
	743,407	393,003

Commitments (Note 11)

Fund balances

Endowment		
Externally restricted	4,353,573	4,000,422
Internally restricted	1,679,366	1,629,366
Restricted		
Externally restricted	1,340,310	1,340,310
Internally restricted	185,731	219,349
General		
Invested in fixed assets	42,938	65,624
Unrestricted	930,441	3,956,544
	8,532,359	11,211,615
	9,275,766	11,604,618

Approved by the Board

..... Director

..... Director

ST. MARY'S HOSPITAL FOUNDATION

Statement of income and expenditures

year ended March 31, 2009

	Endowment	Restricted	General	Total	
	Fund	Fund	Fund	2009	2008
	\$	\$	\$	\$	\$
Income					
Donations (Note 7)	353,151	2,171,240	1,254,493	3,778,884	4,148,763
Investment income (Note 8)	-	-	307,687	307,687	370,096
Changes in fair value of investments	-	-	(2,240,941)	(2,240,941)	(894,077)
Total income	353,151	2,171,240	(678,761)	1,845,630	3,624,782
Expenditures					
Salaries	-	-	580,075	580,075	562,138
Administrative and fundraising expenses	-	-	224,049	224,049	330,057
Insurance policy premiums	-	-	25,782	25,782	24,684
Amortization of capital assets	-	-	24,523	24,523	24,176
Total expenditures	-	-	854,429	854,429	941,055
Excess of income over expenditures before the following items	353,151	2,171,240	(1,533,190)	991,201	2,683,727
Donations to St-Mary's Hospital Center - Schedule	-	(1,080,278)	(2,454,993)	(3,535,271)	(6,289,432)
Special Project	-	-	(62,888)	(62,888)	-
Campus Development Project	-	-	(128,893)	(128,893)	(294,965)
Excess (deficiency) of income over expenditures before net income of a subsidiary	353,151	1,090,962	(4,179,964)	(2,735,851)	(3,900,670)
Net income of a subsidiary (Note 5)	-	-	56,595	56,595	58,544
Excess (deficiency) of income over expenditures	353,151	1,090,962	(4,123,369)	(2,679,256)	(3,842,126)

ST. MARY'S HOSPITAL FOUNDATION

Statement of fund balances

year ended March 31, 2009

	Endowment Fund			Restricted Fund			General Fund			Total
	Externally restricted	Internally restricted	Total	Externally restricted	Internally restricted	Total	Invested in capital assets	Unrestricted	Total	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at March 31, 2007	3,434,509	1,245,919	4,680,428	1,141,585	119,981	1,261,566	86,395	9,025,352	9,111,747	15,053,741
Excess (deficiency) of income over expenditures	565,913	-	565,913	198,725	(2,361,783)	(2,163,058)	(24,176)*	(2,220,805)	(2,244,981)	(3,842,126)
Acquisition of capital assets	-	-	-	-	-	-	3,405	(3,405)	-	-
Transfers between Funds (Note 9)	-	383,447	383,447	-	2,461,151	2,461,151	-	(2,844,598)	(2,844,598)	-
Balance as at March 31, 2008	4,000,422	1,629,366	5,629,788	1,340,310	219,349	1,559,659	65,624	3,956,544	4,022,168	11,211,615
Excess (deficiency) of income over expenditures	353,151	-	353,151	-	1,090,962	1,090,962	(24,523)*	(4,098,846)	(4,123,369)	(2,679,256)
Acquisition of capital assets	-	-	-	-	-	-	1,837	(1,837)	-	-
Transfers between Funds (Note 9)	-	50,000	50,000	-	(1,124,580)	(1,124,580)	-	1,074,580	1,074,580	-
Balance as at March 31, 2009	4,353,573	1,679,366	6,032,939	1,340,310	185,731	1,526,041	42,938	930,441	973,379	8,532,359

* Amortization of capital assets

ST. MARY'S HOSPITAL FOUNDATION

Statement of cash flows

year ended March 31, 2009

	2009	2008
	\$	\$
Operating activities		
Deficiency of income over expenditures	(2,679,256)	(3,842,126)
Adjustments for:		
Amortization of capital assets	24,523	24,176
Changes in fair value of investments	2,240,941	958,246
Investment in a subsidiary	(56,595)	(58,544)
	(470,387)	(2,918,248)
Changes in non-cash operating working capital items		
Accounts receivable	(124,612)	545,098
Accounts receivable from St. Mary's Auxiliary	215,000	(215,000)
Prepaid expenses	466	(498)
Accounts payable	(22,819)	26,785
Due to St. Mary's Hospital	342,845	300,557
Unearned revenue	30,378	(41,277)
	(29,129)	(2,302,583)
Investing activities		
Additions to capital assets	(1,837)	(3,405)
Variation of portfolio investments	141,402	1,947,663
Repayment of advance to a subsidiary	-	50,000
	139,565	1,994,258
Net increase (decrease) in cash	110,436	(308,325)
Cash position, beginning of year	212,092	520,417
Cash position, end of year	322,528	212,092

ST. MARY'S HOSPITAL FOUNDATION

Notes to the financial statements

year ended March 31, 2009

1. Status and objectives of the Foundation

The current status of St. Mary's Hospital Foundation results from the merger of the Foundation with the Queen Elizabeth Hospital of Montreal Foundation on April 1, 2004 under the *Companies Act* (Québec). The object of the Foundation is to raise funds for the requirements of St. Mary's Hospital Center that are not funded by the Agence de la santé et des services sociaux de Montréal. Under the *Income Tax Act*, the Foundation is classified as a public foundation and is subject to the articles thereof.

2. Changes in accounting policies

Capital disclosures

The Foundation adopted the recommendations of Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, Capital Disclosures. This Section requires the disclosure of information about externally imposed capital requirements. The adoption of this Section had no impact on the financial statements.

Future accounting changes

Not-for-profit organization

In November 2008, the CICA issued amendments to Section 4400, Financial statement presentation by not-for-profit organizations, Section 4430, Capital assets held by not-for-profit organizations, Section 4460, Disclosure of related party transactions by not-for-profit organizations and issued Section 4470, Disclosure of allocated expenses by not-for-profit organizations. The new standards will be applicable to annual financial statements relating to fiscal years beginning on or after January 1, 2009. Accordingly, the Foundation will adopt the new standards as of April 1, 2009.

Section 4400 has been amended in order to eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization to present such an amount as a category of internally restricted net assets when it chooses to do so. It also clarifies that revenues and expenses must be recognized and presented on a gross basis when a not-for profit organization is acting as a principal in transactions.

Section 4430 has been amended to specify that smaller organizations that capitalize their capital assets shall capitalize all classes of capital assets and amortize and write down those assets in accordance with relevant Handbook Sections.

Section 4460 has been amended to make the language in Section 4460 consistent with related party transactions, Section 3840.

Section 4470 establishes disclosure standards for a not-for-profit organization that classifies its expenses by function and allocates its expenses to a number of functions to which the expenses relate.

The Foundation is currently evaluating the impact of the adoption of these new standards on its financial statements.

ST. MARY'S HOSPITAL FOUNDATION

Notes to the financial statements

year ended March 31, 2009

3. Accounting policies

The Foundation has elected to use the exemption provided by the CICA permitting not-for-profit organizations not to apply Sections 3862 and 3863 of the CICA Handbook, which would otherwise have applied to the financial statements of the Foundation for the year ended March 31, 2009. The Foundation applies the requirements of Section 3861 of the CICA Handbook.

The financial statements of the Foundation have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are:

Fund accounting

Donations and other income received by the Foundation are classified into three capital funds - the Endowment Fund, the Restricted Fund and the General Fund. All monies are directed in accordance with the donors' wishes or, for donated funds without specific designations, in accordance with objectives periodically approved by the Directors of the Foundation. Additionally, all funds are invested under the guidelines of the statement of Investment Objectives and Guidelines of the Foundation.

a) Endowment Fund

Externally restricted funds are subject to donor stipulations requiring the capital to be maintained.

Internally restricted funds are subject to approval by the Directors of the Foundation. Only a pre-determined percentage of the income from the fund can be used in accordance with the Foundation's Capital Funds' Governance Policy.

b) Restricted Fund

Externally restricted funds are subject to the requirements specified by the donors.

Internally restricted funds are subject to approval by the Directors of the Foundation for specific projects. The donations made to St. Mary's Hospital to fund such approved projects are listed in the Schedule.

c) General Fund

Unrestricted funds are not subject to specific stipulation and are to be disbursed at the discretion of the Directors of the Foundation for the sole benefit of the Hospital.

Funds invested in capital assets report the capital assets and their amortization as well as the gains and losses realized upon their disposal.

ST. MARY'S HOSPITAL FOUNDATION

Notes to the financial statements

year ended March 31, 2009

3. Accounting policies (continued)

Donations

Pledges on donations are presented in the notes to the financial statements and are only recorded as cash is received.

Capital assets

Capital assets are recorded at cost. Amortization is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Office furniture and equipment	5 years
Leasehold improvements	10 years

Investment in a subsidiary

The Foundation records its investment in its wholly-owned subsidiary, 9030-9329 Québec Inc., which owns the building located at 5300 Côte-des-Neiges, using the equity method (Note 5).

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments. Settlement date accounting is used.

Classification

Cash	Held for trading
Accounts receivable	Loans and receivables
Portfolio investments	Held for trading
Accounts payable	Other liabilities
Due to St. Mary's Hospital	Other liabilities

ST. MARY'S HOSPITAL FOUNDATION

Notes to the financial statements

year ended March 31, 2009

3. Accounting policies (continued)

Held for trading

Held-for-trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in income.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

4. Portfolio investments

	<u>2009</u>	<u>2008</u>
	\$	\$
Cash and cash equivalents	28,506	29,150
Interest receivable	42,160	39,916
Bonds - Canadian	3,496,870	3,355,736
- US	263,858	278,106
Shares - Canadian	1,488,245	2,808,822
- US	2,774,527	3,964,779
Total	8,094,166	10,476,509

Currency risk

The Foundation has investments in US\$ and is accordingly subject to currency rate changes.

The fair value of US shares is translated at the currency rate as of March 31, which was 1.2613 in 2009 (1.0256 in 2008).

ST. MARY'S HOSPITAL FOUNDATION

Notes to the financial statements

year ended March 31, 2009

4. Portfolio investments (continued)

Interest rate risk

The sensitivity of the portfolio to interest rate fluctuations can be illustrated as follows for 2009:

	Maturity			Total
	0-5 years	6-10 years	+10 years	
	\$	\$	\$	\$
Canadian bonds				
Fair value				
0.40%-9.74%	1,667,894	-	-	1,667,894
4.50%-6.75%	-	351,920	-	351,920
3.30%-8.50%	-	-	1,477,056	1,477,056
	1,667,894	351,920	1,477,056	3,496,870
U.S. bonds				
Fair value				
6.00%	263,858	-	-	263,858

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 portfolio includes the following concentrations based on fair value:

	2009	2008
	%	%
Canada		
Bonds		
Government of Canada	23.5	20.1
Provincial governments and secured bonds	38.5	30.7
Corporations	5.7	4.4
Shares - Canadian		
Financial services	0.4	6.4
Oil and gas	9.4	12.9
Mines	0.7	1.9
Consumer products	3.4	5.3
Transportation and environmental services	7.0	4.2
Industrial products	5.1	1.9
Paper and forest products	-	0.2
Communications and media	1.3	8.3
Other sectors	2.4	3.4
Cash and cash equivalents	2.6	0.3
	100.0	100.0

ST. MARY'S HOSPITAL FOUNDATION

Notes to the financial statements

year ended March 31, 2009

4. Portfolio investments (continued)

Credit risk (continued)

	<u>2009</u>	<u>2008</u>
	%	%
U.S.		
Bonds		
Government	9.7	8.6
Shares - U.S.		
Financial services	10.6	19.3
Paper	-	0.5
Consumer products	20.1	11.9
Industrial products	13.3	14.0
Transportation and environmental services	1.8	2.3
Communications and media	14.4	11.1
Aerospace	2.6	1.8
Oil and gas	15.8	8.4
Health	4.6	4.8
Other sectors	6.6	16.9
Cash and cash equivalents	0.5	0.4
	<u>100.0</u>	<u>100.0</u>

5. Investment in a subsidiary

	<u>2009</u>	<u>2008</u>
	\$	\$
9030-9329 Quebec Inc., wholly-owned		
Advance, non-interest bearing and without specific terms of repayment	1,029,440	1,029,440
Shares, at equity value	(398,075)	(454,670)
	<u>631,365</u>	<u>574,770</u>

ST. MARY'S HOSPITAL FOUNDATION

Notes to the financial statements

year ended March 31, 2009

5. Investment in a subsidiary (continued)

The subsidiary is not consolidated in the Foundation's financial statements. The financial summary of the subsidiary as at March 31, 2009 and 2008 and for the years then ended is as follows:

	<u>2009</u>	<u>2008</u>
	\$	\$
Total assets	714,410	638,429
Total liabilities	1,112,385	1,093,099
Shareholder's deficiency	(397,975)	(454,670)
Total income	385,322	363,217
Total expenditures	328,727	304,673
Net income	56,595	58,544

6. Capital assets

	<u>2009</u>			<u>2008</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
	\$	\$	\$	\$
Office furniture and equipment	134,831	121,892	12,939	20,647
Leasehold improvements	149,781	119,782	29,999	44,977
	284,612	241,674	42,938	65,624

7. Donations

Donations include income from special events of \$1,860,212 (2008 - \$1,289,168) recorded net of direct fundraising expenses. Fundraising expenses amounted to \$497,058 (2008 - \$306,631).

8. Investment income

Investment income is recorded net of investment expenses. In 2009, investment expenses amounted to \$47,931 (2008 - \$63,039).

9. Transfers between Funds

In accordance with the Foundation's Capital Funds' Governance Policy, transfers between Funds are made on a quarterly basis to allocate investment income and related fees. In addition, the Board of Directors of the St. Mary's Hospital Foundation may authorize, from time to time, transfers between Funds in accordance with St. Mary's Hospital's strategic direction.

ST. MARY'S HOSPITAL FOUNDATION

Notes to the financial statements

year ended March 31, 2009

10. Pledges receivable

At year-end, the Foundation had on hand pledges totaling \$3,493,168, which are receivable up to 2013 as follows:

	\$
2010	1,060,368
2011	874,200
2012	782,600
2013	776,000

11. Commitments

The Foundation has made the following commitments to St-Mary's Hospital Center:

	Commitment \$	Outstanding \$
Primary care/Cancer care	5,200,000	22,000
Ophthalmology	750,000	136,000
Dialysis	637,000	637,000
Medical research, support and grants	1,400,000	1,400,000
Equipment and construction		
Balance of 2009	1,000,000	369,000
Balance of 2010	1,000,000	1,000,000

12. Financial instruments

Fair value

The fair value of accounts receivable, accounts receivable from St. Mary's Auxiliary, accounts payable and due to St. Mary's Hospital is approximately equal to their carrying values due to their short-term maturity.

13. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

ST. MARY'S HOSPITAL FOUNDATION**Schedule****Donations made to St-Mary's Hospital Center**

year ended March 31, 2009

	2009	2008
	\$	\$
From restricted funds		
Primary care/Cancer care	686,737	3,881,717
Medicine	8,115	6,241
Pharmacy fund	56,420	38,406
Day surgery centre - unit	5,647	981
Professional advancement	15,146	15,704
Psychiatry	20,310	20,640
Q/E - Historic Society	30,928	19,862
Emergency	5,869	3,879
Renal dialysis	56,164	2,911
Ophthalmology	2,100	2,733
Intensive care unit	17,689	64,925
Geriatrics	1,588	1,977
Family Medicine	342	5,874
Clinical teaching unit - 5 south	2,383	3,294
Surgery - 6 south	1,825	902
Orthopaedic fund	-	1,672
Other projects - outside event	157,051	6,964
Heart and Stroke fund	-	30,452
Diabetic clinic	10,591	11,198
Women's Wellness Initiative	1,373	24,093
	1,080,278	4,144,425
From unrestricted general funds		
Medical research, support and grants	1,400,000	1,200,000
Equipment and construction	1,054,993	945,007
	2,454,993	2,145,007
Total donations	3,535,271	6,289,432