

Financial statements of

ST. MARY'S HOSPITAL FOUNDATION

March 31, 2010

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, 2010 and the statements of income and expenditures, fund balances and cash flows 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.

The Foundation derives part of its income from the general public in the form of donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our work in respect of this income was limited to 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, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

May 10, 2010

¹Chartered accountant auditor permit no 22220

ST. MARY'S HOSPITAL FOUNDATION

Balance sheet

as at March 31, 2010

	2010	2009
	\$	\$
Assets		
Current assets		
Cash	25,981	322,528
Accounts receivable	117,311	167,007
Prepaid expenses	22,929	17,762
	166,221	507,297
Portfolio investments (Note 4)	10,890,615	8,094,166
Investment in a subsidiary (Note 5)	694,202	631,365
Capital assets (Note 6)	23,450	42,938
	11,774,488	9,275,766
Liabilities		
Current liabilities		
Bank indebtedness - outstanding cheques	223,712	-
Accounts payable and accruals	104,247	3,966
Due to St. Mary's Hospital	196,796	687,510
Unearned revenue	38,325	51,931
	563,080	743,407
Commitments (Note 9)		
Fund balances		
Endowment		
Externally restricted	4,678,187	4,353,573
Internally restricted	4,003,671	1,679,366
Externally restricted	1,322,162	1,265,913
General		
Invested in capital assets	23,450	42,938
Unrestricted	1,183,938	1,190,569
	11,211,408	8,532,359
	11,774,488	9,275,766

Approved by the Board

..... Director

..... Director

ST. MARY'S HOSPITAL FOUNDATION

Statement of income and expenditures

year ended March 31, 2010

	Endowment	Restricted	General	Total	
	Fund	Fund	Fund	2010	2009
	\$	\$	\$	\$	\$
Income					
Donations	324,614	714,351	4,463,486	5,502,451	4,275,942
Investment income	-	-	324,897	324,897	355,618
Changes in fair value of investments (Note 4)	-	-	1,415,650	1,415,650	(2,240,941)
Total income	324,614	714,351	6,204,033	7,242,998	2,390,619
Expenditures					
Salaries	-	-	633,513	633,513	580,075
Expenses - Special events	-	-	383,976	383,976	497,058
Administrative and fundraising expenses	-	-	294,035	294,035	224,049
Insurance policy premiums	-	-	35,417	35,417	25,782
Investment expenses	-	-	42,891	42,891	47,931
Amortization of capital assets	-	-	25,782	25,782	24,523
Total expenditures	-	-	1,415,614	1,415,614	1,399,418
Excess of income over expenditures before the following items	324,614	714,351	4,788,419	5,827,384	991,201
Donations to St. Mary's Hospital Center - Schedule	-	(658,102)	(2,351,884)	(3,009,986)	(3,535,271)
Special Project	-	-	(5,158)	(5,158)	(62,888)
Campus Development Project	-	-	(196,028)	(196,028)	(128,893)
Excess (deficiency) of income over expenditures before net income of a subsidiary	324,614	56,249	2,235,349	2,616,212	(2,735,851)
Net income of a subsidiary (Note 5)	-	-	62,837	62,837	56,595
Excess (deficiency) of income over expenditures	324,614	56,249	2,298,186	2,679,049	(2,679,256)

ST. MARY'S HOSPITAL FOUNDATION

Statement of fund balances

year ended March 31, 2010

	Endowment Fund			Restricted Fund	General Fund			
	Externally restricted	Internally restricted	Total		Total	Invested in capital assets	Unrestricted	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at March 31, 2008	4,000,422	1,629,366	5,629,788	1,559,659	65,624	3,956,544	4,022,168	11,211,615
Excess (deficiency) of income over expenditures	353,151	-	353,151	(293,746)	(24,523)*	(2,714,138)	(2,738,661)	(2,679,256)
Acquisition of capital assets	-	-	-	-	1,837	(1,837)	-	-
Transfers between Funds (Note 7)	-	50,000	50,000	-	-	(50,000)	(50,000)	-
Balance as at March 31, 2009	4,353,573	1,679,366	6,032,939	1,265,913	42,938	1,190,569	1,233,507	8,532,359
Excess (deficiency) of income over expenditures	324,614	-	324,614	56,249	(25,782)*	2,323,968	2,298,186	2,679,049
Acquisition of capital assets	-	-	-	-	6,294	(6,294)	-	-
Transfers between Funds (Note 7)	-	2,324,305	2,324,305	-	-	(2,324,305)	(2,324,305)	-
Balance as at March 31, 2010	4,678,187	4,003,671	8,681,858	1,322,162	23,450	1,183,938	1,207,388	11,211,408

* Amortization of capital assets

ST. MARY'S HOSPITAL FOUNDATION

Statement of cash flows

year ended March 31, 2010

	2010	2009
	\$	\$
Operating activities		
Excess (deficiency) of income over expenditures	2,679,049	(2,679,256)
Adjustments for:		
Amortization of capital assets	25,782	24,523
Changes in fair value of investments	(1,415,650)	2,240,941
Net income of a subsidiary	(62,837)	(56,595)
	1,226,344	(470,387)
Changes in non-cash operating working capital items		
Accounts receivable	49,696	(124,612)
Accounts receivable from St. Mary's Auxiliary	-	215,000
Prepaid expenses	(5,167)	466
Accounts payable and accruals	100,281	(22,819)
Due to St. Mary's Hospital	(490,714)	342,845
Unearned revenue	(13,606)	30,378
	866,834	(29,129)
Investing activities		
Additions to capital assets	(6,294)	(1,837)
Variation of portfolio investments	(1,380,799)	141,402
	(1,387,093)	139,565
Net variation in cash and cash equivalents	(520,259)	110,436
Cash and cash equivalents, beginning of year	322,528	212,092
Cash and cash equivalents, end of year	(197,731)	322,528

Cash and cash equivalents are comprised of cash and bank indebtedness. Bank indebtedness consists solely of outstanding cheques.

ST. MARY'S HOSPITAL FOUNDATION

Notes to the financial statements

March 31, 2010

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.

In order to maintain its registered charity status, the Foundation must meet certain spending requirements ("disbursement quota") according to the *Income Tax Act*. The disbursement quota is a minimum amount that the registered charity must spend on charitable programs or as gifts to qualified donees. Failure to comply with this requirement could lead to a revocation of the Foundation's registered charity status. As at March 31, 2010, the Foundation complies with the requirement of Canada Revenue Agency.

2. Changes in accounting policies

Not-for-profit organizations

On April 1, 2009, the Foundation has adopted the changes made to Sections 4400 and 4460 and the new recommendations of Section 4470 of the CICA Handbook.

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 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 adoption of the Sections 4460 and 4470 had no impact on the financial statements. The adoption of the Section 4400 had an impact on the presentation on a gross basis of the revenues and expenses. This accounting policy, which was adopted as of April 1, 2009, was applied retrospectively and the comparative financial statements have been restated to reflect these changes. The 2009 income and expenditures were increased by \$544,989 from the amounts previously presented.

ST. MARY'S HOSPITAL FOUNDATION

Notes to the financial statements

March 31, 2010

3. Accounting policies

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 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.

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.

Donations

Pledges on donations are presented in the notes to the financial statements and are only recorded as cash 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. Due to the difficulty in determining the fair value of the contributions received in the form of services, these services are not recognized in the financial statements.

ST. MARY'S HOSPITAL FOUNDATION

Notes to the financial statements

March 31, 2010

3. Accounting policies (continued)

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

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, 2010. The Foundation applies the requirements of Section 3861 of the CICA Handbook.

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.

Cash and portfolio investments are classified as held for trading and are measured at fair value. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in income.

Accounts receivable are classified as loans and receivables, and accounts payable and accruals and due to St. Mary's Hospital are classified as other financial liabilities. Financial instruments classified as loans and receivables and as other financial liabilities are carried at amortized cost using the effective interest method.

ST. MARY'S HOSPITAL FOUNDATION

Notes to the financial statements

March 31, 2010

4. Portfolio investments

	<u>2010</u>	<u>2009</u>
	\$	\$
Cash and cash equivalents	18,700	28,506
Interest receivable	43,030	42,160
Bonds - Canadian	4,072,036	3,496,870
- US	199,202	263,858
Shares - Canadian	2,536,079	1,488,245
- US	4,021,568	2,774,527
Total	10,890,615	8,094,166

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 1.0158 in 2010 (1.2613 in 2009).

Interest rate risk

The interest rates and terms of bonds are summarized at their fair values as follows for 2010:

	<u>Maturity</u>			Total
	<u>0-5 years</u>	<u>6-10 years</u>	<u>+10 years</u>	
	\$	\$	\$	\$
Canadian bonds				
0.30%-9.74%	2,141,826	-	-	2,141,826
4.25%-6.75%	-	921,205	-	921,205
4.45%-11.00%	-	-	1,009,005	1,009,005
	2,141,826	921,205	1,009,005	4,072,036
U.S. bonds				
6.00%	199,202	-	-	199,202

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 Foundation mitigates this risk through the diversification of its investment portfolio.

ST. MARY'S HOSPITAL FOUNDATION

Notes to the financial statements

March 31, 2010

5. Investment in a subsidiary

	<u>2010</u>	<u>2009</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	(335,238)	(398,075)
	694,202	631,365

The subsidiary is not consolidated in the Foundation's financial statements. The financial summary of the subsidiary as at March 31, 2010 and 2009 and for the years then ended is as follows:

	<u>2010</u>	<u>2009</u>
	\$	\$
Total assets	752,418	714,410
Total liabilities	1,192,026	1,112,385
Shareholder's deficiency	(439,606)	(397,975)
Total income	394,219	385,322
Total expenditures	331,382	328,727
Net income	62,837	56,595

6. Capital assets

	<u>2010</u>			<u>2009</u>
	<u>Cost</u>	<u>Accumulated</u>	<u>Net book</u>	<u>Net book</u>
	\$	amortization	value	value
	\$	\$	\$	\$
Office furniture and				
equipment	141,125	132,696	8,429	12,939
Leasehold improvements	149,781	134,760	15,021	29,999
	290,906	267,456	23,450	42,938

7. 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

March 31, 2010

8. Pledges receivable

At year-end, the Foundation had pledges receivable totalling \$3,318,200, which are receivable up to 2014 as follows:

	\$
2011	984,600
2012	782,600
2013	776,000
2014	775,000

9. Commitments

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

	Commitment \$	Outstanding \$
Primary care/Cancer care	5,200,000	11,000
Ophthalmology	750,000	136,000
Dialysis	637,000	637,000
Medical research, support and grants - 2011	1,400,000	1,400,000
Equipment and construction		
Balance of 2010	1,000,000	48,000
2011	1,000,000	1,000,000

10. Financial instruments

Fair value

The fair values of current financial assets and liabilities are approximately equal to their carrying values due to their short-term maturities.

11. 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, 2010

	2010	2009
	\$	\$
From restricted funds		
Primary care/Cancer care	190,160	686,737
Medicine	301,761	8,115
Pharmacy fund	44,240	56,420
Day surgery centre - unit	2,252	5,647
Professional advancement	18,977	15,146
Psychiatry	19,670	20,310
Q/E - Historic Society	-	30,928
Emergency	4,177	5,869
Renal dialysis	-	56,164
Ophthalmology	2,658	2,100
Intensive care unit	-	17,689
Geriatrics	6,250	1,588
Family Medicine	700	342
Clinical teaching unit - 5 south	888	2,383
Surgery - 6 south	138	1,825
Other projects - outside event	46,736	157,051
Diabetic clinic	2,639	10,591
Women's Wellness Initiative	16,856	1,373
	658,102	1,080,278
From unrestricted general funds		
Medical research, support and grants	1,400,000	1,400,000
Equipment and construction	951,884	1,054,993
	2,351,884	2,454,993
Total donations	3,009,986	3,535,271