

---

Financial statements of  
**St. Michael's Hospital Foundation**

March 31, 2023

---

---

Independent Auditor's Report	1-2
Statement of financial position	3
Statement of revenues and expenses and changes in fund balances	4
Statement of cash flows	5
Notes to the financial statements	6-9

---

## Independent Auditor's Report

To the Members of the Board of Directors of  
St. Michael's Hospital Foundation

### Opinion

We have audited the financial statements of St. Michael's Hospital Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2023, and the statements of revenues and expenses and 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, 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.

### Basis for Opinion

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 opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
May 31, 2023

**St. Michael's Hospital Foundation**  
**Statement of financial position**  
As at March 31, 2023

	General fund		Restricted fund		Endowment fund		Total
	2023	2022	2023	2022	2023	2022	2023
	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	465,282	-	71,302,793	54,215,685	3,588,562	2,213,042	75,356,637
Other receivables and prepaid expenses	1,961,326	1,881,397	169,130	80,000	998,437	998,437	3,128,893
	2,426,608	1,881,397	71,471,923	54,295,685	4,586,999	3,211,479	78,485,530
Investments	16,701,638	16,616,504	80,717,582	80,052,939	97,179,986	97,996,503	194,599,206
	19,128,246	18,497,901	152,189,505	134,348,624	101,766,985	101,207,982	273,084,736
<b>Liabilities</b>							
Accounts payable and accrued liabilities	2,220,617	2,333,580	-	-	-	-	2,220,617
Deferred revenue	79,065	14,065	15,850	-	-	-	94,915
Interfund balances	(6,954,200)	(7,782,836)	(3,551,905)	(1,688,068)	12,506,105	9,470,904	-
	(6,654,518)	(5,435,191)	(3,536,055)	(1,688,068)	12,506,105	9,470,904	2,315,532
<b>Fund balances</b>							
General fund	25,782,764	23,933,092	-	-	-	-	25,782,764
Restricted fund	-	-	155,725,560	136,036,692	-	-	155,725,560
Endowment fund	25,782,764	23,933,092	155,725,560	136,036,692	89,260,880	91,737,078	89,260,880
	19,128,246	18,497,901	152,189,505	134,348,624	101,766,985	101,207,982	273,084,736

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

On behalf of the Board  
  
\_\_\_\_\_, Director  
\_\_\_\_\_, Director

**St. Michael's Hospital Foundation**  
**Statement of revenues and expenses and changes in fund balances**

Year ended March 31, 2023

	Notes	General fund		Restricted fund		Endowment fund		Total	
		2023	2022	2023	2022	2023	2022	2023	2022
		\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>									
Donations		4,319,377	4,486,273	33,140,222	46,746,757	94,596	184,363	37,554,195	51,417,393
Bequests		3,236,470	5,744,653	6,358,293	2,978,694	30,000	—	9,624,763	8,723,347
Events		790,221	512,097	1,501,948	4,047,455	—	—	2,292,169	4,559,552
Investment income	3	2,078,767	29,732	—	—	559,004	4,070,799	2,637,771	4,100,531
		<b>10,424,835</b>	<b>10,772,755</b>	<b>41,000,463</b>	<b>53,772,906</b>	<b>683,600</b>	<b>4,255,162</b>	<b>52,108,898</b>	<b>68,800,823</b>
<b>Expenses</b>									
Fundraising and administrative		7,991,585	9,252,048	2,743,240	2,687,821	868,249	775,893	11,603,074	12,715,762
Events	4(d) and 5	508,787	561,601	190,295	940,573	—	—	699,082	1,502,174
Investments		169,334	171,930	—	—	416,776	406,984	586,110	578,914
		<b>8,669,706</b>	<b>9,985,579</b>	<b>2,933,535</b>	<b>3,628,394</b>	<b>1,285,025</b>	<b>1,182,877</b>	<b>12,888,266</b>	<b>14,796,850</b>
Excess of revenue over expenses before grants		1,755,129	787,176	38,066,928	50,144,512	(601,425)	3,072,285	39,220,632	54,003,973
Grants to St. Michael's Hospital & Providence Healthcare	4(d)	34,000	5,000	18,310,360	39,270,285	1,813,930	2,377,136	20,158,290	41,652,421
Excess of revenue over expenses for the year		1,721,129	782,176	19,756,568	10,874,227	(2,415,355)	695,149	19,062,342	12,351,552
Fund balances, beginning of year		23,933,092	24,277,066	136,036,692	124,036,315	91,737,078	91,041,929	251,706,862	239,355,310
Interfund transfers		128,543	(1,126,150)	(67,700)	1,126,150	(60,843)	—	—	—
<b>Fund balances, end of year</b>		<b>25,782,764</b>	<b>23,933,092</b>	<b>155,725,560</b>	<b>136,036,692</b>	<b>89,260,880</b>	<b>91,737,078</b>	<b>270,769,204</b>	<b>251,706,862</b>

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

**St. Michael's Hospital Foundation**  
**Statement of cash flows**  
Year ended March 31, 2023

	<b>2023</b>	2022
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses for the year	<b>19,062,342</b>	12,351,552
Item not affecting cash		
Change in fair value of investments	<b>5,017,331</b>	1,464,111
Change in non-cash working capital items		
Other receivables and prepaid expenses	<b>(169,059)</b>	(947,826)
Accounts payable and accrued liabilities	<b>(112,963)</b>	(34,328)
Deferred revenue	<b>80,850</b>	(1,398,937)
	<b>23,878,501</b>	11,434,572
<b>Investing activities</b>		
Purchase of investments – gross proceeds	<b>(30,810,828)</b>	(127,184,144)
Sale of investments – gross proceeds	<b>25,860,237</b>	119,769,060
	<b>(4,950,591)</b>	(7,415,084)
Increase in cash and cash equivalents during the year	<b>18,927,910</b>	4,019,488
Cash and cash equivalents, beginning of year	<b>56,428,727</b>	52,409,239
<b>Cash and cash equivalents, end of year</b>	<b>75,356,637</b>	56,428,727
<b>Consisting of</b>		
Cash	<b>70,581,714</b>	55,860,626
Treasury bills	<b>4,774,923</b>	568,101
	<b>75,356,637</b>	56,428,727

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

# St. Michael's Hospital Foundation

## Notes to the financial statements

March 31, 2023

---

### 1. Purpose of the organization

The St. Michael's Hospital Foundation (the "Foundation") is incorporated under the laws of Ontario as a corporation without share capital. The Foundation receives, accumulates and distributes funds and/or the income therefrom for the advancement of medical research, education and improvement of patient care at the St. Michael's Hospital and Providence Healthcare sites of Unity Health Toronto (the "Hospital").

The Foundation is a public foundation registered under the Income Tax Act (Canada) (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes under registration number 12296 3663 RR 0001. In order to maintain its status as a public foundation registered under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

### 2. Summary of significant accounting policies

#### *Basis of presentation*

The financial statements of the Foundation have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Chartered Professional Accountants of Canada.

Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the reporting period. Actual results could differ from those estimates.

#### *Fund accounting*

The Foundation follows the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

For financial reporting purposes, the Foundation's funds have been classified as follows:

#### *(a) General Fund*

The General Fund accounts for the Foundation's general fundraising, granting and administrative activities. The General Fund reports unrestricted resources available for immediate purposes.

#### *(b) Restricted Fund*

The Restricted Fund reports resources that are to be used for specific purposes as specified by the donor, by internal restrictions or as stipulated by the fundraising appeal.

#### *(c) Endowment Fund*

The Endowment Fund reports resources where either donor or internal restrictions require that the principal must be maintained by the Foundation for a specified period of time or in perpetuity.

#### *Revenue recognition*

Contributions represented by donations, bequests and events are recognized as revenue in the year received or receivable if the amounts can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue of the General Fund in the year received. Donor restricted contributions for specific purposes are recognized as revenue of the Restricted Fund unless the capital is to be maintained for a specified period of time, in which case the contributions are recognized as revenue of the Endowment Fund.



## **2. Summary of significant accounting policies (continued)**

### *Cash and cash equivalents*

Cash and cash equivalents consist of cash and highly liquid investments that are readily convertible into known amounts of cash. Interest in respect of the cash equivalents is accrued as earned.

### *Investments and investment income*

Investments are recorded at fair value. Publicly traded securities are valued based on the closing prices and pooled funds are valued based on reported unit values. Investment income represents interest, dividends, and change in fair value.

Investment income earned on Endowment Fund or Restricted Fund resources, which must be spent on donor restricted activities, is recognized as revenue of the Endowment Fund or Restricted Fund. Investment income subject to donor restrictions stipulating that it be added to the principal amount of the endowment is recognized as revenue of the Endowment Fund. Unrestricted investment income earned on Endowment Fund, Restricted Fund and General Fund resources is recognized as revenue of the General Fund.

### *Deferred revenue and prepaid expenses*

Deferred revenue represents deposits received in advance for subsequent years' fundraising events. These amounts are recognized as revenue in the period in which the event occurs, together with any associated costs.

Costs directly related to future fundraising events are presented as prepaid expenses when the Foundation can reliably demonstrate the event meets the criteria for recognition as a prepayment. The related costs are expensed once the event has been held. Such costs are expensed immediately when there is sufficient evidence that the event does not meet the criteria for recognition as a prepayment.

### *Foreign exchange translation*

The cost of investments, revenues and expenses denominated in foreign currencies is translated into Canadian dollars at the transaction date. The fair value of investments and other monetary items denominated in foreign currencies is translated at the year-end date.

### *Contributed materials and services*

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty in determining the fair value, these contributed services are not recognized or disclosed in the financial statements and related notes. Contributed materials are recorded, when received, at their fair value.

### *Financial instruments and risk management*

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification below.

Cash and cash equivalents are recorded at fair value.

The investment portfolio of the Foundation is valued at fair value. Changes in the value of the portfolio are reflected in the statement of revenues and expenses and changes in fund balances. Transaction costs related to financial assets are expensed as incurred.

Other receivables and accounts payable and accrued liabilities are measured at amortized cost, which approximates fair value due to the short-term maturity of the instruments.

## 2. Summary of significant accounting policies (continued)

### *Financial instruments and risk management (continued)*

The financial assets subsequently measured at amortized cost consist of cash and cash equivalents and other receivables. The financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities.

The Foundation mitigates the following risks through the use of investment managers for the long-term portfolio investments and by investing other funds in short-term fixed rate products with high credit ratings.

### *Price risk*

The investments of the Foundation are subject to price risk because changing interest rates, market value of the investments and general economic conditions affect the market value of equity, fixed income investments, and currency exchange rate changes impact the market value of the investments denominated in currencies other than the Canadian dollar.

### *Liquidity risk*

The Foundation uses investment managers for the investments it plans to hold for a long period of time. These investments are subject to liquidity risk if the Foundation is required to sell at a time that the market for the investments is unfavorable.

### *Credit and interest rate risk*

It is management's opinion that the Foundation is not exposed to significant interest rate or credit risk from these financial instruments.

## 3. Investments

Investments consist of the following amounts held in units of various pooled funds, calculated on a unit basis, allocated as follows:

	<b>2023</b>	2022
	\$	\$
Guaranteed Investment Certificates	<b>43,287,913</b>	42,648,000
Pooled funds		
Short-term investments	<b>3,534,766</b>	5,267,738
Government bonds	<b>24,750,449</b>	23,678,755
Corporate bonds	<b>50,138,493</b>	47,797,069
Canadian equities	<b>29,817,636</b>	32,625,583
US equities	<b>21,618,839</b>	21,708,180
International equities	<b>16,242,610</b>	16,522,963
Alternative investments	<b>5,208,500</b>	4,417,658
	<b>151,311,293</b>	152,017,946
Aggregate fair value	<b>194,599,206</b>	194,665,946
Aggregate cost	<b>199,460,073</b>	194,509,484

The investment portfolio is managed in accordance with the Foundation's investment policy.

**3. Investments (continued)**

Investment income earned on the Foundation's investments consists of the following:

	<b>2023</b>	2022
	<b>\$</b>	\$
Interest and dividends	<b>7,655,102</b>	5,564,642
Changes in fair value of investments	<b>(5,017,331)</b>	(1,464,111)
	<b><u>2,637,771</u></b>	<u>4,100,531</u>

**4. Related party transactions and balances**

- (a) The Foundation is an independent corporation without share capital and has an independent board of directors. The Hospital is affiliated with the Foundation as a result of common board members between the two organizations. Furthermore, the Foundation solicits on behalf of and holds investments for the exclusive benefit of the Hospital. The Hospital provides certain services to the Foundation and pays some operating expenses on behalf of the Foundation.
- (b) Included in accounts payable and accrued liabilities is \$732,433 payable (\$1,273,638 payable in 2022) to the Hospital. This amount is payable on demand, is non-interest bearing and consists of two components: grants that have not been disbursed to the Hospital and operating expenses incurred by the Foundation that have not yet been repaid.
- (c) The Foundation holds designated funds of \$155,725,560 (\$136,036,692 in 2022), which will be disbursed to the Hospital in the future. Of this amount, \$69,113,374 (\$64,487,488 in 2022) relates to funds intended for the SMH 3.0 campaign and are committed to St Michael's Hospital to assist in funding the redevelopment project pertaining to that campaign; and \$10,475,964 (\$2,028,757 in 2022) relates to the HUMANCARE campaign to reinvent the patient care experience.
- (d) The Foundation, from time to time, makes payments to the Hospital to fund the purchase of tangible capital assets, research costs and the reimbursement of expenses paid on behalf of the Foundation. During the year, \$29,114,150 (\$48,065,700 in 2022) was paid to the Hospital, of which \$8,955,860 (\$7,013,279 in 2022) was for reimbursement of expenses, \$5,871,248 (\$21,187,206 in 2022) was for capital assets and \$14,287,042 (\$20,465,215 in 2022) was for research, trust or other transfers.

**5. Pension plan**

Employees of the Foundation participate in a contributory defined benefit pension plan sponsored by the Hospital. Contributions made to the plan during the year by the Foundation amounted to \$648,966 (\$550,425 in 2022) and are recorded as part of fundraising and administrative expenses.