

Financial statements of

**THE MONTREAL CHILDREN'S HOSPITAL
FOUNDATION**

March 31, 2013 and March 31, 2012

THE MONTREAL CHILDREN'S HOSPITAL FOUNDATION
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Independent auditor's report

To the Members of
The Montreal Children's Hospital Foundation

We have audited the financial statements of The Montreal Children's Hospital Foundation, which comprise the balance sheets as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of operations and changes in fund balances and cash flows for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Montreal Children's Hospital Foundation as at March 31, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012, in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte p.e.n.c.r.l.¹

September 26, 2013

¹CPA auditor, CA, public accountancy permit No. A120628

THE MONTREAL CHILDREN'S HOSPITAL FOUNDATION

Statement of operations and changes in fund balances

year ended March 31, 2013

	Operating Fund	Special Fund	Endowment Fund	Total
	\$	\$	\$	\$
Revenue				
Donations	5,760,744	13,868,964	480,708	20,110,416
Telethon for research	-	594,422	-	594,422
Opération Enfant Soleil	-	2,525,045	-	2,525,045
	5,760,744	16,988,431	480,708	23,229,883
Investment income - net (Note 4)	2,446,059	2,550,345	-	4,996,404
	8,206,803	19,538,776	480,708	28,226,287
Expenses				
Salaries and benefits	2,122,158	332,530	-	2,454,688
Campaign costs	611,455	217,318	-	828,773
Publicity and donor recognition	83,893	87,248	-	171,141
General and administrative	380,992	335,128	-	716,120
Professional and consulting	178,410	4,058	-	182,468
Rent	205,587	86,532	-	292,119
Amortization of fixed assets	23,833	9,799	-	33,632
	3,606,328	1,072,613	-	4,678,941
Excess of revenue over expenses before contributions	4,600,475	18,466,163	480,708	23,547,346
Contributions to the Montreal Children's Hospital:				
Hospital equipment and services	858,027	222,341	-	1,080,368
Research equipment and services	3,174,186	5,080,968	-	8,255,154
Other restricted contributions	89,332	1,787,870	-	1,877,202
Renovations, rent and other priorities	12,075	2,720,439	-	2,732,514
	4,133,620	9,811,618	-	13,945,238
Excess of revenue over expenses	466,855	8,654,545	480,708	9,602,108
Fund balances, beginning of year	(10,444,475)	46,985,612	41,755,543	78,296,680
Interfund transfers (Note 5)	(26,807)	(111,542)	138,349	-
Fund balances, end of year	(10,004,427)	55,528,615	42,374,600	87,898,788

THE MONTREAL CHILDREN'S HOSPITAL FOUNDATION

Statement of operations and changes in fund balances

year ended March 31, 2012

	Operating Fund	Special Fund	Endowment Fund	Total
	\$	\$	\$	\$
Revenue				
Donations	7,625,754	9,272,314	184,438	17,082,506
Telethon for research	-	545,056	-	545,056
Opération Enfant Soleil	-	2,611,522	-	2,611,522
	7,625,754	12,428,892	184,438	20,239,084
Investment income - net (Note 4)	133,626	508,842	-	642,468
	7,759,380	12,937,734	184,438	20,881,552
Expenses				
Salaries and benefits	1,779,906	378,444	-	2,158,350
Campaign costs	746,600	187,632	-	934,232
Publicity and donor recognition	79,970	78,998	-	158,968
General and administrative	335,766	135,575	-	471,341
Professional and consulting	209,942	9,076	-	219,018
Rent	194,984	83,650	-	278,634
Amortization of fixed assets	9,485	9,799	-	19,284
	3,356,653	883,174	-	4,239,827
Excess of revenue over expenses before contributions	4,402,727	12,054,560	184,438	16,641,725
Contributions to the Montreal Children's Hospital:				
Hospital equipment and services	1,163,240	-	-	1,163,240
Research equipment and services	3,329,319	4,416,655	-	7,745,974
Other restricted contributions	333,309	1,017,647	-	1,350,956
Renovations, rent and other priorities	13,752	2,051,989	-	2,065,741
	4,839,620	7,486,291	-	12,325,911
Excess (deficiency) of revenue over expenses	(436,893)	4,568,269	184,438	4,315,814
Fund balances, beginning of year				
As previously reported	(6,314,592)	40,012,826	40,282,632	73,980,866
Reclassification (Note 5)	(3,675,790)	3,675,790	-	-
As reclassified	(9,990,382)	43,688,616	40,282,632	73,980,866
Interfund transfers (Note 5)	(17,200)	(1,271,273)	1,288,473	-
Fund balances, end of year	(10,444,475)	46,985,612	41,755,543	78,296,680

THE MONTREAL CHILDREN'S HOSPITAL FOUNDATION

Balance sheets

as at March 31, 2013, March 31, 2012 and April 1, 2011

	Operating Fund	Special Fund	Endowment Fund	Total		
				March 31,		April 1,
				2013	2012	2011
	\$	\$	\$	\$	\$	\$
Assets						
Cash	4,416,633	13,174,708	19,318	17,610,659	13,787,505	13,027,618
Restricted cash (Note 6)	-	16,562,652	-	16,562,652	14,037,606	11,523,723
Accounts receivable	217,418	3,165	-	220,583	334,623	192,358
Due from other funds	-	21,312,224*	-	-	-	-
Investments (Note 8)	-	5,709,951	50,216,817	55,926,768	51,586,864	51,348,247
Fixed assets (Note 9)	77,318	50,628	-	127,946	75,156	80,971
Prepaid expenses	40,795	-	-	40,795	39,789	41,496
	4,752,164	56,813,328	50,236,135	90,489,403	79,861,543	76,214,413
Liabilities						
Accounts payable and accrued liabilities	826,338	841,813	-	1,668,151	791,036	788,584
Contributions payable - Montreal Children's Hospital	479,564	442,900	-	922,464	773,827	1,444,963
Due to other Funds	13,450,689*	-	7,861,535*	-	-	-
	14,756,591	1,284,713	7,861,535	2,590,615	1,564,863	2,233,547
Commitments (Note 11)						
Fund balances						
Invested in fixed assets	77,318	50,628	-	127,946	75,156	80,971
Externally restricted (Note 10)	-	55,477,987	31,823,198	87,301,185	78,875,850	73,349,621
Internally restricted	-	-	10,551,402	10,551,402	10,551,402	10,551,402
Unrestricted deficit	(10,081,745)	-	-	(10,081,745)	(11,205,728)	(10,001,128)
	(10,004,427)	55,528,615	42,374,600	87,898,788	78,296,680	73,980,866
	4,752,164	56,813,328	50,236,135	90,489,403	79,861,543	76,214,413

* These items are not included in the total column since they offset each other.

Approved by the Board of Directors

....., Director

....., Director

THE MONTREAL CHILDREN'S HOSPITAL FOUNDATION

Statements of cash flows

years ended March 31, 2013 and March 31, 2012

	2013	2012
	\$	\$
Operating activities		
Excess of revenue over expenses	9,602,108	4,315,814
Adjustments for:		
Change in fair value of investments	(3,109,465)	1,054,896
Amortization of fixed assets	33,632	19,284
	6,526,275	5,389,994
Net change in non-cash operating working capital items		
Accounts receivable	114,040	(142,265)
Prepaid expenses	(1,006)	1,707
Accounts payable and accrued liabilities	877,115	2,452
Contributions payable – Montreal Children's Hospital	148,637	(671,136)
	1,138,786	(809,242)
	7,665,061	4,580,752
Financing activities		
Variation in restricted cash	(2,525,046)	(2,513,883)
Net variation in investments	(1,230,439)	(1,293,513)
Acquisition of fixed assets	(86,422)	(13,469)
	(3,841,907)	(3,820,865)
Increase in cash	3,823,154	759,887
Cash, beginning of year	13,787,505	13,027,618
Cash, end of year	17,610,659	13,787,505

THE MONTREAL CHILDREN'S HOSPITAL FOUNDATION

Notes to the financial statements

March 31, 2013 and March 31, 2012

1. Purpose of the Foundation

The Montreal Children's Hospital Foundation (the "Foundation") is devoted to raising funds for research, teaching and clinical support at the Montreal Children's Hospital of the McGill University Health Centre (the "Montreal Children's Hospital"). The Foundation is a not-for-profit organization incorporated in 1973 under the laws of the Province of Quebec and is a registered charity under the *Income Tax Act*.

2. Adoption of a new accounting framework

During the year ended March 31, 2013, the Foundation adopted the new Canadian accounting standards for not-for-profit organizations (the "new standards") issued by the Canadian Institute of Chartered Accountants ("CICA") and set out in Part III of the CICA Handbook. In accordance with Section 1501 of Part III of the CICA Handbook, *First-time Adoption* ("Section 1501"), the date of transition to the new standards is April 1, 2011, and the Foundation has prepared and presented an opening balance sheet at the date of transition to the new standards. This opening statement of financial position is the starting point for the Foundation accounting under the new standards. In its opening balance sheet, under the recommendations of Section 1501, the Foundation:

- a) recognized all assets and liabilities whose recognition is required by the new standards;
- b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;
- c) reclassified items that it recognized previously as one type of asset, liability or component of fund balances, but are recognized as a different type of asset, liability or component of fund balances under the new standards and
- d) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1501, the accounting policies set out in Note 3 have been consistently applied to all years presented in the financial statements and adjustments resulting from the adoption of the new standards have been applied retroactively.

The Foundation has elected to use the exemption for financial instruments that allows the Foundation to account for at the fair value of investments at the date of transition.

The adoption of the new standards had no impact on the financial statements except for the presentation of the statement of cash flows, which was not presented previously.

THE MONTREAL CHILDREN'S HOSPITAL FOUNDATION

Notes to the financial statements

March 31, 2013 and March 31, 2012

3. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Fund accounting

The Foundation follows the restricted fund method of accounting for its operations.

i) Operating Fund

The Foundation's general fundraising and administrative activities are presented in the Operating Fund.

ii) Special Fund

The Special Fund represents externally restricted donations (see Note 10).

iii) Endowment Fund

The Endowment Fund includes accumulated donations subject to restrictions imposed by donors specifying that the capital be maintained in perpetuity, as well as interfund transfers from the Operating Fund authorized by the Board of Directors, subject to internal restrictions and which cannot be used without the prior consent of the Board of Directors.

Revenue recognition

i) Restricted donations

Restricted donations related to general operations are recognized as revenue of the Operating Fund in the year received. Other restricted donations are recognized as revenue of the appropriate restricted fund. Endowment donations are recognized as revenue in the Endowment Fund.

ii) Unrestricted donations

Unrestricted donations are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

iii) Investment income

Investment income is recognized when earned. Investment income on Endowment Fund resources that must be spent on donor restricted activities is recognized in the Special Fund. Unrestricted investment income on Endowment Fund resources is recognized in the Operating Fund.

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Notes to the financial statements

March 31, 2013 and March 31, 2012

3. Significant accounting policies (continued)

Revenue recognition (continued)

iv) Contributed services

In the course of its activities, the Foundation uses the services of volunteers. Because of the difficulty in determining their fair value, these contributed services are not recognized in these financial statements.

v) Gifts-in-kind

Gifts-in-kind are recorded at fair value.

Expense sharing

The expenses of the Best Care for Children Fund, included in the Special Fund, are comprised of directly attributable expenses, a transfer of a portion of rent expenses of the Operating Fund which relate to the additional rental space required for the activities of the Best Care for Children Fund, and a portion of salaries and benefits.

Contributions to the Montreal Children's Hospital

The contributions to the Montreal Children's Hospital are recorded in the statement of operations and changes in fund balances of the year in which they are paid or become payable.

Financial instruments

Financial assets and liabilities are initially recognized at fair value 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 investments, which are measured at fair value at the statement of financial position date. The fair value of investments is based on closing bid prices. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are presented in the investment income.

Transaction costs related to financial instruments measured at fair value 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 operations and changes in fund balances as investment income.

With respect to financial assets measured at cost or amortized cost, the Foundation recognizes in the statement of operations and changes in fund balances 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 decrease and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in statement of operations and changes in fund balances in the period the reversal occurs.

THE MONTREAL CHILDREN'S HOSPITAL FOUNDATION

Notes to the financial statements

March 31, 2013 and March 31, 2012

3. Significant accounting policies (continued)

Due from/to other funds

These amounts bear no interest and have no specific terms of repayment.

Fixed assets

Fixed assets are recorded at cost and amortized based on their estimated useful lives using the straight-line method and the following annual rates:

Office furniture	20%
Computer equipment	33%
Other equipment	10%

Foreign currency translation

Monetary assets and liabilities are translated into Canadian dollars at the exchange rates in effect at the balance sheet date and non-monetary assets and liabilities are translated at historical rates.

Revenue and expenses are translated at average rates prevailing during the year. Translation gains and losses are reflected in expenses.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

4. Investment income - net

Investment income, net of management and custodian fees, is detailed as follows:

	<u>2013</u>	<u>2012</u>
	\$	\$
Interest and dividends	2,120,414	1,899,773
Net (losses) gains on disposal of investments	(1,020,727)	568,782
Change in unrealized fair value of investments*	4,130,192	(1,623,678)
	<u>5,229,879</u>	<u>844,877</u>
Management and custodian fees	(233,475)	(202,409)
	<u>4,996,404</u>	<u>642,468</u>

THE MONTREAL CHILDREN'S HOSPITAL FOUNDATION

Notes to the financial statements

March 31, 2013 and March 31, 2012

4. Investment income – net (continued)

Investment income is recorded as follows:

	<u>2013</u>	<u>2012</u>
	\$	\$
Operating Fund – resource held by the Endowment Fund**	2,414,227	113,493
Operating Fund – resource held by the Operating Fund	31,832	20,133
Special Fund – resource held by the Endowment Fund***	2,283,936	201,542
Special Fund – resource held by the Special Fund	266,409	307,300
	<u>4,996,404</u>	<u>642,468</u>

* Change in fair value of investments, which is presented separately, is calculated as follows:

	<u>March 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>Change</u>
	\$	\$	\$
Fair value	55,926,768	51,586,864	
Cost	53,014,065	52,804,353	
	<u>2,912,703</u>	<u>(1,217,489)</u>	<u>4,130,192</u>

	<u>March 31,</u>	<u>April 1,</u>	
	<u>2012</u>	<u>2011</u>	<u>Change</u>
	\$	\$	\$
Fair value	51,586,864	51,348,247	
Cost	52,804,353	50,942,058	
	<u>(1,217,489)</u>	<u>406,189</u>	<u>(1,623,678)</u>

** The net investment income of the Operating Fund derived from resources held as endowments for an amount of \$2,414,227 (\$113,493 in 2012), which consists of \$930,157 (\$821,242 in 2012) of interest and dividends, \$519,454 of net losses on disposal of investments (net gain of \$291,115 in 2012) and \$2,116,601 of positive change in fair value of investments (negative change of \$900,189 in 2012), net of investment and custodian fees of \$113,077 (\$98,675 in 2012).

*** The net investment income of the Special Fund derived from resources held as endowments for an amount of \$2,283,936 (\$201,542 in 2012), which consists of \$939,854 (\$814,415 in 2012) of interest and dividends, \$534,886 of net losses on disposal of investments (net gain of \$257,967 in 2012) and \$1,991,218 of positive change in fair value of investments (negative change of \$775,711 in 2012), net of investment and custodian fees of \$112,250 (\$95,129 in 2012).

THE MONTREAL CHILDREN'S HOSPITAL FOUNDATION

Notes to the financial statements

March 31, 2013 and March 31, 2012

5. Reclassification and interfund transfers

Reclassification

The Foundation took the decision to disclose in the Special Fund the investment income on Endowment Fund resources that must be spent on donor restricted activities. Previously, it was disclosed in the Operating Fund. Consequently, the externally restricted Fund balance in the Operating Fund has been reclassified in the Special Fund.

Interfund transfers

Interfund transfers are performed in accordance with donor instructions and with the Board of Directors' resolutions.

6. Restricted cash

The use of restricted cash is subject to approval by Opération Enfant Soleil.

Under a fund management agreement effective April 1, 2007, these amounts can be paid to the Montreal Children's Hospital only when Opération Enfant Soleil confirms that the acceptance conditions for the projects associated with these payments are met. In addition, interest generated by restricted cash (and investments, if applicable), are the property of Opération Enfant Soleil. Consequently, this interest of \$102,552 for the year ended March 31, 2013 (\$90,867 in 2012), is not recorded in the Foundation's financial statements.

7. Donation pledges

In addition to sums already received for this purpose since the creation of the Best Care for Children Fund, the Foundation has received donation pledges in support of the building of the new Montreal Children's Hospital. The total amount of pledges supported by signed agreement represents \$13,864,962. Amounts to be received in the forthcoming years are as follows:

	Year ending March 31					
	2014	2015	2016	2017	2018 and thereafter	Total
	\$	\$	\$	\$	\$	\$
Special Fund	5,532,188	2,755,118	2,079,291	1,564,227	1,934,138	13,864,962

The Foundation has also verbal pledges that are not included in this note.

The donation pledges will be recorded as revenues when collected.

THE MONTREAL CHILDREN'S HOSPITAL FOUNDATION

Notes to the financial statements

March 31, 2013 and March 31, 2012

8. Investments

	March 31,		April 1,
	2013	2012	2011
	\$	\$	\$
Cash	314,583	422,661	113,136
Money market and Treasury bills	3,237,470	2,082,029	2,245,544
Canadian bonds, par value of \$8,915,000 ((\$8,984,000 as at March 31, 2012 and \$10,659,000 as at April 1, 2011))	8,714,637	9,717,955	11,404,412
Pooled Canadian Bond Funds*	1,403,728	6,648,260	7,329,142
Canadian Equities	7,045,933	8,218,157	8,399,673
Pooled Canadian Equity Funds*	351,318	5,566,621	5,138,607
U.S. Equities	4,891,935	4,703,094	4,175,637
International Equities	6,312,186	7,814,726	7,171,577
Pooled US and International Equity Funds*	-	6,413,361	5,370,519
Canadian balanced fund*	23,654,978	-	-
	55,926,768	51,586,864	51,348,247

* In July 2012 the Foundation replaced one of its investment portfolio managers and accordingly, reduced its exposure to pooled investment funds.

9. Fixed assets

	March 31, 2013		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office furniture	33,099	29,560	3,539
Computer equipment	307,031	233,252	73,779
Other equipment	97,987	47,359	50,628
	438,117	310,171	127,946

	March 31, 2012		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office furniture	31,069	23,245	7,824
Computer equipment	222,640	215,734	6,906
Other equipment	97,987	37,561	60,426
	351,696	276,540	75,156

THE MONTREAL CHILDREN'S HOSPITAL FOUNDATION

Notes to the financial statements

March 31, 2013 and March 31, 2012

9. Fixed assets (continued)

	April 1, 2011		Net book value
	Cost	Accumulated amortization	
	\$	\$	\$
Office furniture	27,959	17,213	10,746
Computer equipment	212,281	212,281	-
Other equipment	97,987	27,762	70,225
	<u>338,227</u>	<u>257,256</u>	<u>80,971</u>

10. Special Fund - externally restricted

The Special Fund includes the following externally restricted donations:

	March 31, 2012		April 1,
	2013	2012	2011
	\$	\$	\$ (reclassified)
Capital Campaign Fund Montreal Children's Hospital Corporation Fund	3,364,575	4,210,964	5,192,260
Best Care for Children Fund	1,843,658	1,798,271	1,741,970
Other external restrictions	33,226,614	22,378,453	19,975,566
	17,043,140	18,597,924	13,103,080
	<u>55,477,987</u>	<u>46,985,612</u>	<u>40,012,876</u>

11. Commitments

The Foundation leases various premises on behalf of the Montreal Children's Hospital. These leases expire through 2019 and require annual payments as follows:

	\$
2014	645,540
2015	649,734
2016	430,500
2017	430,500
2018	430,500
2019	107,625
	<u>2,694,399</u>

THE MONTREAL CHILDREN'S HOSPITAL FOUNDATION

Notes to the financial statements

March 31, 2013 and March 31, 2012

11. Commitments and guarantees (continued)

In addition, under operating leases expiring through 2019, the Foundation has lease commitments relating to its own premises that require the following annual payments:

	\$
2014	124,956
2015	124,956
2016	124,956
2017	124,956
2018	124,956
2019	20,826
	<u>645,606</u>

12. Financial instruments

Because of its financial assets and liabilities, the Foundation is exposed to the following risks:

Market risk

Market risk is the risk of loss that results from fluctuations in equity prices, interest and exchange rates. The Foundation is exposed to market risk from its investing activities. The level of risk to which the Foundation is exposed varies depending on market conditions and the composition of the asset-mix.

Credit risk

The credit risk is due to the fact that the Foundation owns bonds. Therefore, there is a credit risk that the bond issuer will be unable to pay its obligations toward the Foundation, which will have an impact on the assets of the Foundation.

Interest rate risk

The investments in bonds bear fixed interest rates. Consequently, a change in the market interest rate would have an impact on the fair value of these investments. Bonds bear interest from 1.20% to 11.00% (1.20% to 11.00% as at March 31, 2012 and April 1, 2011), and mature from 2013 to 2023 (2012 to 2026 as at March 31, 2012 and 2011 to 2026 as at April 1, 2011).

Currency risk

The Foundation holds investments in foreign currencies and related income and is therefore exposed to currency fluctuations.

The balance sheet includes \$5,640,497 (\$5,554,955 as at March 31, 2012 and \$6,094,895 as at April 1, 2011) of investments denominated in U.S. dollars, \$2,859,970 (\$3,449,919 as at March 31, 2012 and \$3,351,756 as at April 1, 2011) denominated in Euros and \$2,727,564 (\$3,216,026 as at March 31, 2012 and \$2,860,551 as at April 1, 2011) denominated in other foreign currencies.

THE MONTREAL CHILDREN'S HOSPITAL FOUNDATION

Notes to the financial statements

March 31, 2013 and March 31, 2012

12. Financial instruments (continued)

Investment policy

Investments must be managed in adherence to the principles of consistency and continuity. The principle of conservatism predominates when the investment committee, advisers, and securities custodians are engaged in decision making and applying strategies.

The objective is to optimize the return on the investments while considering the risk that the Foundation is prepared to assume along with its specific constraints as set out in the investment policy. Risk stems from the uncertainty inherent to several factors (loss in value of specific investments, decrease in fair value caused by financial market fluctuations, etc.), the combined actions of which could have consequences on the Foundation's ability to meet its commitments.

Return is optimized through an ideal combination of financial assets, diversification, and sufficient latitude to use investment vehicles with higher return potential depending on the periods.

13. Related party transactions

Transactions with the Montreal Children's Hospital, which is a related organization, as well as the assets and liabilities relating to them, are presented separately in the financial statements or in the notes to the financial statements, except of a receivable amount of \$1,312 (\$147,432 as at March 31, 2012 and nil as at April 1, 2011) included in Special Fund accounts receivable.

These transactions are within the normal course of operations and are measured at the exchange amounts.