
Financial statements of
La Fondation de l'Hôpital
général de Montréal
The Montreal General
Hospital Foundation

March 31, 2019

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Independent Auditor's Report

To the Board of Directors of
La Fondation de l'Hôpital général de Montréal
The Montreal General Hospital Foundation

Opinion

We have audited the financial statements of La Fondation de l'Hôpital général de Montréal / The Montreal General Hospital Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, 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, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for non-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.

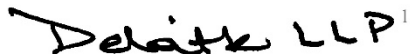
Auditor's Responsibilities for the Audit of the Financial Statements

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 LLP¹

May 17, 2019

¹ CPA auditor, CA, public accountancy permit No. A133206

La Fondation de l'Hôpital général de Montréal
The Montreal General Hospital Foundation
Statement of operations
Year ended March 31, 2019

	2019				2018
Notes	Unrestricted Fund	Restricted Fund	Endowment Fund	Total	Total
	\$	\$	\$	\$	\$
Revenue					
Donations	2,154,674	10,742,389	2,684,244	15,581,307	13,995,892
Gain on sale of investments	540,126	—	—	540,126	4,561,916
Interest	1,611,231	—	—	1,611,231	1,401,071
Other investment income	4,098,843	—	—	4,098,843	3,308,069
Other revenue	—	318,050	—	318,050	370,463
	8,404,874	11,060,439	2,684,244	22,149,557	23,637,411
Expenditures					
Support of hospital services and research activities	—	12,708,748	—	12,708,748	14,730,163
Awards and scholarships	—	1,453,983	—	1,453,983	1,282,495
Investment management fees	631,101	—	—	631,101	690,590
Administrative expenses	6 2,933,429	—	—	2,933,429	2,481,959
	3,564,530	14,162,731	—	17,727,261	19,185,207
Excess (deficiency) of revenue over expenditures before the undernoted item	4,840,344	(3,102,292)	2,684,244	4,422,296	4,452,204
Unrealized change in fair value of investments	4 (2,059,829)	—	—	(2,059,829)	(2,747,939)
Excess (deficiency) of revenue over expenditures	2,780,515	(3,102,292)	2,684,244	2,362,467	1,704,265

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

La Fondation de l'Hôpital général de Montréal
The Montreal General Hospital Foundation
Statement of changes in fund balances
Year ended March 31, 2019

		2019				2018
Notes		Unrestricted Fund	Restricted Fund	Endowment Fund	Total	Total
		\$	\$	\$	\$	\$
Fund balances, beginning of year		18,846,034	83,750,164	48,931,854	151,528,052	149,823,787
Excess of revenue over expenditures		2,780,515	(3,102,292)	2,684,244	2,362,467	1,704,265
Interfund transfers	7	(3,765,511)	129,915	3,635,596	—	—
Fund balances, end of year		17,861,038	80,777,787	55,251,694	153,890,519	151,528,052
Externally designated		—	73,823,154	55,188,416	129,011,570	122,714,137
Internally designated		17,861,038	6,954,633	63,278	24,878,949	28,813,915
		17,861,038	80,777,787	55,251,694	153,890,519	151,528,052

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

La Fondation de l'Hôpital général de Montréal
The Montreal General Hospital Foundation
Statement of financial position
As at March 31, 2019

	Notes	2019	2018
		\$	\$
Assets			
Current assets			
Cash		682,811	1,471,721
Short-term investments	3	4,035,864	—
Sales tax receivable		72,316	49,267
Accrued revenue		330,481	307,686
Prepaid expense		—	3,914
		5,121,472	1,832,588
Investments	4	152,061,824	153,632,621
Capital assets	5	37,444	—
		157,220,740	155,465,209
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		737,811	703,053
Due to McGill University Health Centre		2,524,000	3,080,390
Due to Research Institute of McGill University Health Centre		65,039	90,714
Due to McGill University		3,371	63,000
		3,330,221	3,937,157
Commitments	9		
Fund balances			
Unrestricted		17,861,038	18,846,034
Restricted		80,777,787	83,750,164
Endowment		55,251,694	48,931,854
		153,890,519	151,528,052
		157,220,740	155,465,209

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

Approved by the Board

_____, Director

_____, Director

La Fondation de l'Hôpital général de Montréal
The Montreal General Hospital Foundation
Statement of cash flows
Year ended March 31, 2019

	2019	2018
	\$	\$
Operating activities		
Excess of revenue over expenditures	2,362,467	1,704,265
Adjustment for:		
Gain on sale of investments	(540,126)	(4,561,916)
Unrealized change in fair value of investments	2,059,829	2,747,939
Amortization of capital assets	4,945	—
	3,887,115	(109,712)
Changes in non-cash operating working capital items		
Sales tax receivable	(23,049)	(1,979)
Accrued revenue	(22,795)	24,073
Prepays	3,914	(3,914)
Accounts payable and accrued liabilities	34,758	294,970
Due to McGill University Health Center	(556,390)	2,594,186
Due to Research Institute of McGill University Health Centre	(25,675)	90,714
Due to McGill University	(59,629)	63,000
	3,238,249	2,951,338
Investing activities		
Acquisition of investments	(50,301,557)	(79,538,157)
Disposition of investments	46,316,787	76,427,105
Acquisition of capital assets	(42,389)	—
	(4,027,159)	(3,111,052)
Net decrease in cash	(788,910)	(159,714)
Cash, beginning of year	1,471,721	1,631,435
Cash, end of year	682,811	1,471,721

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

1. Purpose of the Foundation

La Fondation de l'Hôpital général de Montréal – The Montreal General Hospital Foundation (the "Foundation") is mandated to raise money, manage significant funds, and invest responsibly in healthcare research, training and technology at the Montreal General Hospital, the McGill University Health Centre and more broadly, within the McGill academic health network. The funds raised are applied to the priority needs of the hospital and its patients in accordance with the wishes of donors.

The Foundation is incorporated under Part III of the *Companies Act* (Québec). The Foundation is also recognized as a charitable institution under Section 149.1(1)(a) of the *Income Tax Act* (Canada). This status exempts the Foundation from income taxes.

2. Accounting policies

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

Fund accounting

The revenue, expenditures and capital of the Foundation are maintained in accordance with the principles of fund accounting and are classified into funds in accordance with activities or objectives specified.

The Foundation follows the restricted fund method of accounting for contributions.

The Unrestricted Fund accounts for the Foundation's funds available to support the Foundation expenses and hospital and/or research institute projects. This fund reports unrestricted resources.

The Restricted Fund reports internally and externally designated resources that are to be used for specific projects.

The Endowment Fund reports resources contributed for endowment. It also includes unrestricted resources internally designated as endowments. Investment income earned on the resources of these endowment funds is allocated to the Restricted Fund and/or to the Unrestricted Fund depending on the nature of any restrictions imposed by contributors of funds for endowment.

Revenue recognition

Restricted donations are recognized as revenue of the Restricted Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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

Donations for endowment are recognized as revenue in the Endowment Fund.

Investment income and other investment income are recognized as revenue when earned.

2. Accounting policies (continued)

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
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Reallocation of investment income and investment management fees

Investment income earned on Endowment Fund resources that must be spent on projects is allocated as revenue in the Restricted Fund. Investment income and investment management fees on income-bearing funds are allocated to investment income-bearing funds based on the proportion of fund category capital to the total capital. Income on non-investment income-bearing accounts are allocated to the Unrestricted Fund.

Administration expenses

No administration fees are charged against the capital of the Restricted Fund for non-investment income-bearing funds. For investment income-bearing accounts, an administration fee of 1.5% is charged against the income of the Restricted Fund.

Financial instruments

Financial assets and financial 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 the investments, which are recorded at fair value. Fair value of the investments is determined by using closing prices on the recognized stock exchange on which the stock is listed or principally traded, when available, or through pricing services. Gains and losses on the sale of the investments are calculated at average cost on the trade date. Change in unrealized appreciation/depreciation on the investments represents the change in fair value of the investments between the current year and the prior year.

Transaction costs related to investments 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 as interest income or expense.

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

2. Accounting policies (continued)

Foreign currency translation

Amounts denominated in foreign currencies in these financial statements are translated into Canadian dollars on the following basis:

- (a) Fair value of investments, current assets and current liabilities – at the rate of exchange prevailing at year-end.
- (b) Purchase and sales of investments – at exchange rates prevailing on the transaction dates.
- (c) Income and expense items – at exchange rates prevailing on the transaction dates.

The gain or loss resulting from translation is included in the statement of operations.

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Key components of the financial statements requiring management to make estimates include the useful life of long-lived assets and the fair value of certain financial instruments. Actual results could differ from these estimates.

3. Short-term investments

Short-term investments consist of two term deposits with a Canadian chartered bank with a total principal amount of \$4,035,864 (nil as at March 31, 2018), which earn interest up to 2.30% and mature in April and May 2019, respectively.

4. Investment information

(a) Investments

	2019	2018
	\$	\$
Canadian equities	45,708,958	43,672,404
Foreign equities	31,925,403	32,077,278
Canadian pooled equities funds	10,020,969	15,324,799
Canadian pooled fixed income funds	31,576,239	30,496,318
Canadian bonds (1.40% to 9.90%, expire up to June 2085)	22,286,501	22,077,403
Foreign bonds (2.15% to 5.90%, expire up to November 2048)	7,073,407	6,942,051
Canadian money market fund	81,107	97,996
Canadian segregated savings account fund	1,846,763	1,802,314
Canadian discount notes and Treasury bills (expire up to June 2019)	771,529	109,704
Cash held by custodians	770,948	1,032,354
	152,061,824	153,632,621

4. Investment information (continued)

(b) *Unrealized change in fair value of investments*

	2019	2018	2017
	\$	\$	\$
Fair value	152,061,824	153,632,621	148,707,592
Cost	142,357,280	141,868,248	134,195,280
	9,704,544	11,764,373	14,512,312
Change	(2,059,829)	(2,747,939)	—

5. Capital assets

	2019			2018
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and equipment	42,389	4,945	37,444	—

Amortization recorded in expenditures amounts to \$4,945 (nil for the year ended March 31, 2018).

6. Administrative expenses

The administrative expenses is comprised of the following:

	2019	2018
	\$	\$
Fundraising expenses	2,069,171	1,610,931
Management and administration expenses	864,258	871,028
	2,933,429	2,481,959

7. Interfund transfers

For the year ended March 31, 2019, the Foundation made the following transfers between funds:

	Unrestricted Fund	Restricted Fund	Endowment Fund
	\$	\$	\$
Project funding	(1,200,280)	(1,416,045)	2,616,325
Reallocation of investment income	(4,793,358)	3,774,087	1,019,271
Charge for administration expenses	1,741,088	(1,741,088)	—
Charge for investment management fees	487,039	(487,039)	—
	(3,765,511)	129,915	3,635,596

8. Outstanding donation pledges

Outstanding donation pledges as at March 31, 2019, amounted to \$19,331,045 (\$6,318,591 as at March 31, 2018) and are receivable up to 2027. These amounts have not been recognized in the financial statements.

9. Commitments

As at March 31, 2019, the Foundation's outstanding commitments to the McGill University Health Center amount to \$32,355,000 (\$4,356,000 as at March 31, 2018), out of which \$30,000,000 relates primarily to funding for the modernization of the Montreal General Hospital, including, renovations of the emergency room, the operation rooms and the sterilization unit. The modernization of the Montreal General Hospital is included in the *Plan québécois des infrastructures* and timing of disbursements will depend on the time required for the project to go through the study, planning and realization phases. The \$30 million commitment will be disbursed once the construction is complete and over a minimum time period of five years.

Last fiscal year, the outstanding commitments related primarily for the installation of a functional MRI and the support to the Research Institute for renovations required for the Centre for outcomes research and evaluation, the Centre for Innovative Medicine and the Surgical Innovation Platform projects.

10. Financial instruments and risks management

The Foundation is exposed to various risks throughout its financial instruments.

Market risk

Market risk represents the potential loss that can be caused by a change in the fair value of a security investment. The investments of the Foundation are subject to financial risks that arise from fluctuations of interest rates, foreign exchange rates, market fluctuations and the degree of volatility of these items in the stock market as they affect the value of investments. The Foundation's investment portfolio applies a diversification investment strategy to manage its risk and is monitored on a daily basis by various asset managers and quarterly by the Foundation's investment committee.

10. Financial instruments and risks management (continued)

Credit risk

The Foundation is exposed to credit risk related to its investment in bonds to the extent that the bond issuers may be unable to pay their obligations when due. Concentration of credit risk exists when a significant portion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions. Management believes that the diversification strategy is adequate to protect the net assets of the Foundation from significant credit risks.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Foundation manages this risk by establishing realistic budgets, and adapting to changing environments throughout the year. The Foundation also manages its cash flow by maintaining sufficient cash balances to meet current obligations and investing in high-quality government and corporate bonds and equity traded in an active market that can be liquidated should an unexpected obligation materialize.

Currency risk

The Foundation is exposed to foreign currency risk on a portion of its investments. The majority of foreign investments are denominated in US dollars. In addition, some of the Canadian pooled equity funds may also be subject to exposure to foreign currency risk on the underlying investments held. The Foundation manages this risk through funds managers who monitor the level of investments in foreign currency.

Interest rate risk

A portion of the Foundation's investments is composed of fixed income funds and bonds. Variations in related market interest rates will have an impact on their fair value of these instruments.