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

March 31, 2021

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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, 2021, 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, 2021, 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 ("ASNPO").

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 ASNPO, 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

May 13, 2021

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, 2021

	2021				2020
Notes	Unrestricted Fund	Restricted Fund	Endowment Fund	Total	Total
	\$	\$	\$	\$	\$
Revenue					
Donations	3,217,031	13,701,050	1,544,786	18,462,867	27,967,217
Gain on sale of investments	2,622,222	—	—	2,622,222	1,355,569
Interest	1,715,325	—	—	1,715,325	1,731,858
Other investment income	3,606,960	—	—	3,606,960	3,003,738
Other revenue	428,504	133,075	—	561,579	329,234
	11,590,042	13,834,125	1,544,786	26,968,953	34,387,616
Expenditures					
Support of hospital services and research activities	53,330	11,763,813	—	11,817,143	13,652,205
Awards and scholarships	—	1,808,081	—	1,808,081	1,800,425
Investment management fees	474,200	—	—	474,200	549,709
Administrative expenses	2,964,119	—	—	2,964,119	2,879,680
	3,491,649	13,571,894	—	17,063,543	18,882,019
Excess of revenue over expenditures before the undernoted item	8,098,393	262,231	1,544,786	9,905,410	15,505,597
Unrealized change in fair value of investments	40,301,839	—	—	40,301,839	(23,406,850)
Excess (deficiency) of revenue over expenditures	48,400,232	262,231	1,544,786	50,207,249	(7,901,253)

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, 2021

	2021				2020
	Unrestricted Fund	Restricted Fund	Endowment Fund	Total	Total
	\$	\$	\$	\$	\$
Fund balances, beginning of year	1,698,042	81,578,943	62,712,281	145,989,266	153,890,519
Excess (deficiency) of revenue over expenditures	48,400,232	262,231	1,544,786	50,207,249	(7,901,253)
Interfund transfers	(5,328,030)	5,333,153	(5,123)	—	—
Fund balances, end of year	44,770,244	87,174,327	64,251,944	196,196,515	145,989,266
Externally designated	—	80,047,233	64,188,666	144,235,899	138,041,939
Internally designated	44,770,244	7,127,094	63,278	51,960,616	7,947,327
	44,770,244	87,174,327	64,251,944	196,196,515	145,989,266

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, 2021

	Notes	2021	2020
		\$	\$
Assets			
Current assets			
Cash		1,393,565	1,121,111
Sales tax receivable		42,559	57,951
Accrued revenue		431,004	450,709
		1,867,128	1,629,771
Investments	3	196,216,748	147,000,831
Capital assets	4	20,488	28,966
		198,104,364	148,659,568
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		725,527	691,446
Due to McGill University Health Centre		246,578	1,431,361
Due to Research Institute of McGill University Health Centre		905,744	517,120
Due to McGill University		30,000	30,375
		1,907,849	2,670,302
Commitments	8		
Fund balances			
Unrestricted		44,770,244	1,698,042
Restricted		87,174,327	81,578,943
Endowment		64,251,944	62,712,281
		196,196,515	145,989,266
		198,104,364	148,659,568

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, 2021

	2021	2020
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenditures	50,207,249	(7,901,253)
Adjustments for:		
Gain on sale of investments	(2,622,222)	(1,355,569)
Unrealized change in fair value of investments	(40,301,839)	23,406,850
Amortization of capital assets	8,478	8,478
	7,291,666	14,158,506
Changes in non-cash operating working capital items		
Sales tax receivable	15,392	14,365
Accrued revenue	19,705	(120,228)
Accounts payable and accrued liabilities	34,081	(46,365)
Due to McGill University Health Center	(1,184,783)	(1,092,639)
Due to Research Institute of McGill University Health Centre	388,624	452,081
Due to McGill University	(375)	27,004
	(727,356)	13,392,724
Investing activities		
Acquisition of investments	(49,460,326)	(113,779,376)
Disposition of investments	43,168,470	100,824,952
	(6,291,856)	(12,954,424)
Net increase in cash	272,454	438,300
Cash, beginning of year	1,121,111	682,811
Cash, end of year	1,393,565	1,121,111

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, affiliated entities of the McGill University Academic Health Center, and other organizations in the Québec 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.

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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2. Accounting policies (continued)

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.

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.

2. Accounting policies (continued)

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. Investment information

(a) Investments

	2021	2020
	\$	\$
Canadian equities	61,119,318	37,525,378
Foreign equities	60,630,287	40,005,330
Canadian pooled equity funds	6,691,373	3,824,637
Canadian pooled fixed income funds	33,285,868	32,522,544
Canadian bonds (0.50% to 9.90%, expire up to June 2085)	24,148,898	21,007,246
Foreign bonds (1.95% to 5.81%, expire up to May 2050)	7,025,434	7,838,510
Canadian money market fund	152,121	56,150
Canadian segregated savings account fund	1,775,040	1,526,812
Canadian discount notes and Treasury bills (expire up to June 2021)	899,545	1,871,236
Cash held by custodians	488,864	822,988
	196,216,748	147,000,831

(b) Unrealized change in fair value of investments

	2021	2020	2019
	\$	\$	\$
Fair value	196,216,748	147,000,831	152,061,824
Cost	169,617,215	160,703,137	142,357,280
	26,599,533	(13,702,306)	9,704,544
Change	40,301,839	(23,406,850)	(2,059,829)

La Fondation de l'Hôpital général de Montréal
The Montreal General Hospital Foundation
Notes to the financial statements
March 31, 2021

4. Capital assets

	2021			2020
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and equipment	42,389	21,901	20,488	28,966

Amortization recorded in expenditures amounts to \$8,478 (\$8,478 for the year ended March 31, 2020).

5. Administrative expenses

The administrative expenses are comprised of the following:

	2021	2020
	\$	\$
Fundraising expenses	1,960,044	1,941,879
Management and administration expenses	1,004,075	937,801
	2,964,119	2,879,680

6. Interfund transfers

For the year ended March 31, 2021, the Foundation made the following transfers between funds:

	Unrestricted Fund	Restricted Fund	Endowment Fund
	\$	\$	\$
Project funding	(1,376,489)	1,397,289	(20,800)
Reallocation of investment income	(6,111,712)	6,096,035	15,677
Charge for administration expenses	1,728,777	(1,728,777)	—
Charge for investment management fees	431,394	(431,394)	—
	(5,328,030)	5,333,153	(5,123)

7. Outstanding donation pledges

Outstanding donation pledges as at March 31, 2021, amounted to \$19,773,994 (\$26,280,371 as at March 31, 2020) and are receivable up to 2038. These amounts have not been recognized in the financial statements.

8. Commitments

As at March 31, 2021, the Foundation's outstanding commitments to the McGill University Health Center amount to \$32,901,000 (\$31,526,000 as at March 31, 2020), out of which \$29.8 million (\$29.8 million as at March 31, 2020) 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 \$29.8 million commitment will be disbursed once the construction is complete and over a minimum time period of five years.

9. 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.

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 U.S. dollars (\$42,282,551 and \$25,926,797 as at March 31, 2021 and March 31, 2020, respectively). 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 by setting targets for and monitoring exposure to foreign currencies.

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.