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

March 31, 2023

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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, 2023, 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, 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 ("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*¹

May 18, 2023

¹ CPA auditor, 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, 2023

Notes	2023				2022
	Unrestricted Fund	Restricted Fund	Endowment Fund	Total	Total
	\$	\$	\$	\$	\$
Revenue					
Donations	2,803,998	18,907,237	1,369,400	23,080,635	21,420,669
Other revenue	—	269,844	—	269,844	449,205
	2,803,998	19,177,081	1,369,400	23,350,479	21,869,874
Expenditures					
Contributions to McGill network and other establishments	32,741	12,667,127	—	12,699,868	14,303,156
Administrative expenses	3,613,207	—	—	3,613,207	3,174,598
	3,645,948	12,667,127	—	16,313,075	17,477,754
Excess (deficiency) of revenue over expenditures before net investment income	(841,950)	6,509,954	1,369,400	7,037,404	4,392,120
Net investment income					
Interest and dividends	4,717,379	—	—	4,717,379	5,734,581
Gain on sale of investments	1,113,430	—	—	1,113,430	18,638,903
Unrealized change in fair value of investments	(5,558,929)	—	—	(5,558,929)	(19,321,056)
	271,880	—	—	271,880	5,052,428
Investment management fees	(300,774)	—	—	(300,774)	(442,645)
	(28,894)	—	—	(28,894)	4,609,783
Excess (deficiency) of revenue over expenditures	(870,844)	6,509,954	1,369,400	7,008,510	9,001,903

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, 2023

		2023				2022
Notes	Unrestricted Fund	Restricted Fund	Endowment Fund	Total	Total	
	\$	\$	\$	\$	\$	
Fund balances, beginning of year	33,059,737	105,190,070	66,948,611	205,198,418	196,196,515	
Excess (deficiency) of revenue over expenditures	(870,844)	6,509,954	1,369,400	7,008,510	9,001,903	
Interfund transfers	(5,991,470)	5,984,709	6,761	—	—	
Fund balances, end of year	26,197,423	117,684,733	68,324,772	212,206,928	205,198,418	
Externally designated	—	106,410,148	68,261,494	174,671,642	161,128,285	
Internally designated	26,197,423	11,274,585	63,278	37,535,286	44,070,133	
	26,197,423	117,684,733	68,324,772	212,206,928	205,198,418	

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, 2023

	Notes	2023	2022
		\$	\$
Assets			
Current assets			
Cash		946,288	647,771
Short-term investments	3	5,600,000	3,100,000
Sales tax receivable		45,521	56,649
Accrued revenue		324,968	234,603
Other receivable		30,083	1,753
		6,946,860	4,040,776
Investments	4	207,413,963	206,907,805
Capital assets	5	3,532	12,010
		214,364,355	210,960,591
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		644,732	677,534
Due to McGill University Health Centre		900,057	4,588,939
Due to Research Institute of McGill University Health Centre		524,512	495,700
Due to McGill University		88,126	—
		2,157,427	5,762,173
Commitments	9		
Fund balances			
Unrestricted		26,197,423	33,059,737
Restricted		117,684,733	105,190,070
Endowment		68,324,772	66,948,611
		212,206,928	205,198,418
		214,364,355	210,960,591

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, 2023

	2023	2022
	\$	\$
Operating activities		
Excess of revenue over expenditures	7,008,510	9,001,903
Adjustments for:		
Shares donation	(2,903,340)	(1,666,523)
Gain on sale of investments	(1,113,430)	(18,638,903)
Unrealized change in fair value of investments	5,558,929	19,321,056
Amortization of capital assets	8,478	8,478
	8,559,147	8,026,011
Changes in non-cash operating working capital items		
Sales tax receivable	11,128	(14,090)
Accrued revenue	(90,365)	196,401
Other receivable	(28,330)	(1,753)
Accounts payable and accrued liabilities	(32,802)	(47,993)
Due to McGill University Health Centre	(3,688,882)	4,342,361
Due to Research Institute of McGill University Health Centre	28,812	(410,044)
Due to McGill University	88,126	(30,000)
	4,846,834	12,060,893
Investing activities		
Acquisition of short-term investments	(7,100,000)	(4,600,000)
Acquisition of investments	(24,150,890)	(180,575,616)
Disposition of short-term investments	4,600,000	1,500,000
Disposition of investments	22,102,573	170,868,929
	(4,548,317)	(12,806,687)
Net increase (decrease) in cash	298,517	(745,794)
Cash, beginning of year	647,771	1,393,565
Cash, end of year	946,288	647,771

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 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 hospitals 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 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.

The unrealized change in fair value of investment is recorded in 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

Initial measurement

Financial assets and financial liabilities originated or exchanged in arm's length transactions are initially recognized at fair value when the Foundation becomes a party to the contractual provisions of the financial instrument. Financial assets and financial liabilities originated or exchanged in related party transactions are initially recognized at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. The cost of financial instruments with repayment terms is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. The cost of financial instruments without repayment terms is determined using the consideration transferred or received by the Foundation in the transaction.

Subsequent measurement

All financial instruments are subsequently measured at amortized cost except for the investments, which are measured at fair value at the balance sheet date. Interest earned on short-term investments and bonds, dividends received on unlisted shares, unrealized gains and losses on listed shares, and realized gains and losses on sales of short-term investments and bonds are included in the statement of operations.

Transaction costs

Transaction costs related to financial instruments measured subsequent to initial recognition at fair value are expensed as incurred. Transaction costs related to 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 effective interest method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the effective interest method and recognized as interest income or expense.

Depreciation

With respect to financial assets measured at cost or amortized cost, the Foundation recognizes 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 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 period the reversal occurs.

2. Accounting policies (continued)

Financial instruments (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 term deposits with a Canadian chartered bank with a total principal amount of \$5,600,000 (\$3,100,000 as at March 31, 2022). As at March 31, 2023, the total amount consists of 3 term deposits (5 as at March 31, 2022), which earned interest up to 5.11% (1.03% as at March 31, 2022) and mature up to May 2023 (January 2023 as at March 31, 2022).

4. Investment information

(a) Investments

	2023	2022
	\$	\$
Canadian equities and Canadian pooled equity funds	54,146,104	52,719,279
US equities and US pooled equity funds	50,776,282	50,956,560
International pooled equity funds	34,037,019	32,573,785
Emerging market pooled equity funds	11,551,950	13,059,375
Canadian bonds and Canadian pooled fixed income funds	51,569,868	51,366,043
Canadian cash and short-term investments	5,332,740	6,232,763
	207,413,963	206,907,805

4. Investment information (continued)

(b) Unrealized change in fair value of investments

	2023	2022	2021
	\$	\$	\$
Fair value	207,413,963	206,907,805	196,216,748
Cost	205,694,415	199,629,328	169,617,215
	1,719,548	7,278,477	26,599,533
Change	(5,558,929)	(19,321,056)	40,301,839

The unrealized change in fair value of investment is recorded in the Unrestricted Fund.

(c) Interest and dividends

	2023	2022
	\$	\$
Interest	1,360,331	2,794,414
Dividends	3,357,048	2,940,167
	4,717,379	5,734,581

5. Capital assets

	2023			2022
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office furniture and equipment	42,389	38,857	3,532	12,010

Amortization recorded in expenditures amounts to \$8,478 (\$8,478 for the year ended March 31, 2022).

6. Administrative expenses

The administrative expenses are comprised of the following:

	2023	2022
	\$	\$
Fundraising expenses	2,196,792	1,961,332
Management and administration expenses	1,416,415	1,213,266
	3,613,207	3,174,598

7. Interfund transfers

For the year ended March 31, 2023, the Foundation made the following transfers between funds:

	Unrestricted Fund	Restricted Fund	Endowment Fund
	\$	\$	\$
Project funding	(4,077,866)	4,077,866	—
Reallocation of investment income	(4,188,985)	4,182,224	6,761
Charge for administration expenses	2,050,784	(2,050,784)	—
Charge for investment management fees	224,597	(224,597)	—
	(5,991,470)	5,984,709	6,761

8. Outstanding donation pledges

Outstanding donation pledges as at March 31, 2023, amounted to \$17,173,950 (\$21,497,436 as at March 31, 2022) and are receivable up to 2038. These amounts have not been recognized in the financial statements.

9. Commitments

As at March 31, 2023, the Foundation's outstanding commitments to the McGill University Health Center amount to \$34,289,000 (\$31,690,000 as at March 31, 2022), out of which \$24.6 million (\$26.3 million as at March 31, 2022) 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. In May 2023, an additional \$4,465,000 of commitments were made, bringing the total outstanding commitments to \$38,754,000. 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. Out of the \$24.6 million commitment, \$24.3 million will be disbursed once the construction is complete and over a minimum time period of five years.

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 U.S. dollars (\$69,483,458 and \$68,695,916 as at March 31, 2023, and March 31, 2022, 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.

11. Comparative figures

Certain prior comparative information has been reclassified to conform to the current year's presentation.