

**McGill University Health Centre
Foundation**
Financial Statements
For the year ended March 31, 2018

McGill University Health Centre Foundation
Financial Statements
For the year ended March 31, 2018

Contents

Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	4
Statement of Revenue and Expenditures	5
Statement of Changes in Fund Balances	6
Statement of Cash Flows	7
Notes to Financial Statements	8

Independent Auditor's Report

To the Board of Directors of McGill University Health Centre Foundation

We have audited the accompanying financial statements of McGill University Health Centre Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2018, and the statements of revenue and expenditures, changes in fund balances and cash flows for the year then ended, 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 audit. We conducted our audit 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 is sufficient and appropriate to provide a basis for our audit opinion.



Independent Auditor's Report

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of McGill University Health Centre Foundation as at March 31, 2018, 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.

BDO Canada s.r.l./S.E.N.C.R.L./LLP¹

Montréal, Québec
June 20, 2018

¹ CPA auditor, CGA, public accountancy permit No. A121744, through BDO & Company LLP/s.r.l./S.E.N.C.R.L. which provides accounting, assurance, taxation and other professional services to BDO Canada s.r.l./S.E.N.C.R.L./LLP

McGill University Health Centre Foundation Statement of Financial Position

March 31

2018

2017

	General Fund	Trust, Special and Capital Campaign Funds	Endowment Fund	Total	Total
Assets					
Current					
Cash	\$ 355	\$ 9,556,609	\$ -	\$ 9,556,964	\$ 9,752,903
Other receivables	20,733	23,265	255	44,253	51,713
Investments (Note 3)	1,096,789	-	-	1,096,789	1,752,574
Due from other funds (Note 6)	-	1,316,410	1,109,102	2,425,512	1,354,942
Prepaid expenses and other assets	11,699	45,021	-	56,720	46,251
	<u>1,129,576</u>	<u>10,941,305</u>	<u>1,109,357</u>	<u>13,180,238</u>	<u>12,958,383</u>
Investments (Note 3)	-	9,778,421	3,146,008	12,924,429	4,119,659
	<u>\$ 1,129,576</u>	<u>\$ 20,719,726</u>	<u>\$ 4,255,365</u>	<u>\$ 26,104,667</u>	<u>\$ 17,078,042</u>
Liabilities and Capital					
Current					
Accounts payable and accrued liabilities	\$ 236,467	\$ 3,361	\$ 2,262	\$ 242,090	\$ 107,148
Due to the Royal Victoria Hospital Foundation (Note 2)	186,793	-	-	186,793	40,531
Funds payable to the Research Institute (Note 4)	1,096,789	-	-	1,096,789	1,752,574
Payable to the MUHC, non-interest bearing, due on demand	5,798	197,618	-	203,416	-
Due to other funds (Note 6)	2,425,512	-	-	2,425,512	1,354,942
	<u>3,951,359</u>	<u>200,979</u>	<u>2,262</u>	<u>4,154,600</u>	<u>3,255,195</u>
Capital					
Fund balances					
Unrestricted	(2,821,783)	-	-	(2,821,783)	(1,446,553)
Restricted	-	20,518,747	4,253,103	24,771,850	15,269,400
	<u>(2,821,783)</u>	<u>20,518,747</u>	<u>4,253,103</u>	<u>21,950,067</u>	<u>13,822,847</u>
	<u>\$ 1,129,576</u>	<u>\$ 20,719,726</u>	<u>\$ 4,255,365</u>	<u>\$ 26,104,667</u>	<u>\$ 17,078,042</u>

Subsequent Event (Note 8)

On behalf of the Board

Director

Director

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

McGill University Health Centre Foundation Statement of Revenue and Expenditures

For the year ended March 31				2018	2017
	General Fund	Trust, Special and Capital Campaign Funds	Endowment Fund	Total	Total
Revenue					
Donations and grants	\$ 735,249	\$ 13,840,547	\$ 1,434,117	\$ 16,009,913	\$ 10,279,265
Estates	180,158	77,226	-	257,384	139,480
Investment income (loss) (Note 5)	411,700	(160,768)	132,065	382,997	368,733
Activities	-	831,752	-	831,752	710,775
	1,327,107	14,588,757	1,566,182	17,482,046	11,498,253
Expenditures					
Administrative and fundraising costs	2,687,203	353,250	-	3,040,453	2,144,569
Investment management fees	15,134	-	6,290	21,424	15,062
	2,702,337	353,250	6,290	3,061,877	2,159,631
(Deficiency) excess of revenue over expenditures before the following	(1,375,230)	14,235,507	1,559,892	14,420,169	9,338,622
Distributions for the benefit of the MUHC	-	(6,292,949)	-	(6,292,949)	(5,326,273)
(Deficiency) excess of revenue over expenditures for the year	\$ (1,375,230)	\$ 7,942,558	\$ 1,559,892	\$ 8,127,220	\$ 4,012,349

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

McGill University Health Centre Foundation Statement of Changes in Fund Balances

For the year ended March 31	2018				2017
	General Fund	Trust, Special and Capital Campaign Funds	Endowment Fund	Total	Total
Fund balances , beginning of year	\$ (1,446,553)	\$ 12,576,189	\$ 2,693,211	\$ 13,822,847	\$ 9,810,498
(Deficiency) excess of revenue over expenditures for the year	<u>(1,375,230)</u>	<u>7,942,558</u>	<u>1,559,892</u>	<u>8,127,220</u>	<u>4,012,349</u>
Fund balances , end of year	<u>\$ (2,821,783)</u>	<u>\$ 20,518,747</u>	<u>\$ 4,253,103</u>	<u>\$ 21,950,067</u>	<u>\$ 13,822,847</u>

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

McGill University Health Centre Foundation Statement of Cash Flows

For the year ended March 31	2018	2017
Cash flows from operating activities		
Contributions received from individuals, corporations, and events	\$ 17,106,511	\$ 12,059,033
Interest and investment income	340,204	138,935
	<u>17,446,715</u>	<u>12,197,968</u>
Office administration, investment management fees and fundraising expenses paid	(2,791,142)	(2,724,589)
Grants and transfers	(6,089,533)	(5,326,273)
	<u>(8,880,675)</u>	<u>(8,050,862)</u>
	<u>8,566,040</u>	<u>4,147,106</u>
Cash flows from investment activities*		
Purchase of other assets	-	(4,416)
Purchase of investments	(14,366,109)	(1,513,554)
Proceeds on sale of investments	5,604,130	89,163
	<u>(8,761,979)</u>	<u>(1,428,807)</u>
(Decrease) increase in cash during the year	(195,939)	2,718,299
Cash, beginning of year	9,752,903	7,034,604
Cash, end of year	\$ 9,556,964	\$ 9,752,903

* Purchase of investments and the proceeds on sale of investments represent, in large part, the periodic rollover of funds in investments pending distribution to the MUHC.

McGill University Health Centre Foundation

Notes to Financial Statements

March 31, 2018

1. Significant Accounting Policies

Nature of Operations

The McGill University Health Centre Foundation's mission is to receive and invest funds and apply them to health care activities for the benefit of the McGill University Health Centre and related institutions. The Foundation is a not-for-profit organization incorporated under the laws of Québec and is a registered charity under the *Income Tax Act* (Canada).

Basis of Accounting

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Fund Accounting and Fund Balances

The McGill University Health Centre Foundation follows the restricted fund method of accounting for contributions.

The General Fund includes all unrestricted resources. It includes operating expenditures, unrestricted investment income and unrestricted donations. The fund balance represents net assets that are not subject to internally or externally imposed restrictions.

The Trust, Special and Capital Campaign Funds include donations from individuals, grants from corporations and foundations and donations designated for the MUHC's Best Care for Life Campaign. Funds are spent primarily on research, teaching, patient care and the construction of the new hospital. These funds include externally restricted funds from donations that must be spent according to the donors' wishes and also include funds that are internally restricted by the Board. Income generated from investments held in this Fund is recognized as income of the General Fund, unless otherwise specified by the donor. This Fund was referred to as the Best Care for Life Fund in the prior year.

The Endowment Fund consists of donations received from donors requesting that their donations be retained permanently. The income generated from these donations is spent in accordance with the donor's specifications.

Revenue Recognition

Unrestricted and restricted donations and grants, endowments and estate contributions are recognized as revenue in the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donations in kind are recorded at fair value when such value can reasonably be determined. Revenue from activities are recognized as revenue when received. Income on invested funds and expenditures are recorded on an accrual basis. Other revenues are recognized as revenue when received.

Pledges

Pledges are recorded as donations when the funds are received unless conditions for recognition are met.

McGill University Health Centre Foundation

Notes to Financial Statements

March 31, 2018

1. Significant Accounting Policies (Continued)

Contributed Services

Every year, volunteers contribute many hours to assist the McGill University Health Centre Foundation in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, receipt and disbursement is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in income in the current period.

Financial Instruments

Measurement of Financial Instruments

The Foundation initially measures its financial assets and liabilities at fair value. The Foundation subsequently measures all its financial assets and liabilities at amortized cost with the exception of investments which are subsequently measured at fair value based on closing prices.

Financial assets measured at amortized cost include cash and other receivables.

Financial liabilities measured at amortized cost include accounts payable, due to the Royal Victoria Hospital Foundation, funds payable to the Research Institute and payable to the MUHC.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is not greater than the amount that would have been reported at the date of reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the combined statement of revenue and expenditures.

Unrealized gains (losses) on investments, which are measured at fair value, are recognized in the statement of revenue and expenditures.

Transaction Costs

The Foundation recognizes its transaction costs for financial instruments at fair value in statement of revenue and expenditures in the period incurred. Financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

McGill University Health Centre Foundation Notes to Financial Statements

March 31, 2018

2. Related Party

Royal Victoria Hospital Foundation (RVHF)

The Foundation and the RVHF have a common Board of Directors and a single President overseeing the activities of both Foundations. It is presumed that each of the two foundations exerts control over the operations of the other.

The RVHF is incorporated under the laws of Québec and is a registered charity under the *Income Tax Act* (Canada). Its mission is to receive and invest funds and apply them to health care activities for the benefit of the MUHC Royal Victoria Hospital.

The RVHF has not been consolidated in these financial statements. A financial summary for the RVHF as at March 31, 2018 and 2017 and for the years then ended is as follows:

	2018	2017
Total assets	\$ 141,063,900	\$ 140,722,738
Total liabilities	\$ 42,312,677	\$ 43,429,278
Total fund balances	98,751,223	97,293,460
	\$ 141,063,900	\$ 140,722,738
	2018	2017
Revenue and investment income	\$ 11,431,359	\$ 16,462,592
Expenses and distributions	9,973,596	10,934,387
Excess of revenue over expenditures	\$ 1,457,763	\$ 5,528,205
Cash flows used for operations	\$ (40,352)	\$ (1,794,345)
Cash flows (used for) from investment activities	\$ (298,950)	\$ 2,102,485

Fund balances included restricted Trust, Special and Capital Campaign funds in the amount of \$11,225,055 (2017 - \$11,747,711) and endowments of \$85,680,841 (2017 - \$84,918,509).

The balance due to RVHF presented in the statement of financial position is comprised of amounts paid by the RVHF on behalf of the Foundation. These amount are non-interest bearing, have no specific terms of repayment and are due on demand.

McGill University Health Centre Foundation Notes to Financial Statements

March 31, 2018

3. Investments

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Pooled funds ⁽¹⁾	\$ 14,021,218	\$ 14,141,811	\$ 5,872,233	\$ 5,510,034
Less: current portion - investments held on behalf of the Research Institute	1,096,789	1,084,674	1,752,574	1,618,134
Long-term portion	\$ 12,924,429	\$ 13,057,137	\$ 4,119,659	\$ 3,891,900

⁽¹⁾ Pooled funds include cash of \$7,000,000 (2017 - \$Nil) transferred to the investment accounts for which the related units had not yet been purchased.

4. Funds Payable to the Research Institute

In 2013, the Foundation and the Research Institute of the McGill University Health Centre (the "Institute") signed a memorandum of understanding whereby the Foundation would manage funds amounting to \$5,000,000 on behalf of the Institute. Under this agreement, all investment income generated by these funds will be payable to the Institute. As at March 31, 2018, an amount of \$1,096,789 was included in the current liabilities (2017 - \$1,752,574). The assets that have been restricted in the General Fund include investments at fair value of \$1,096,789 (2017 - \$1,752,574).

5. Investment Income

Investment income is comprised of the following:

	2018	2017
Interest and dividends	\$ 340,204	\$ 138,935
Gain on sale of investments	403,258	69,224
Change in unrealized (loss) gain on investments	(360,465)	160,574
	\$ 382,997	\$ 368,733

McGill University Health Centre Foundation

Notes to Financial Statements

March 31, 2018

6. Interfund Balances

Interfund balances are non-interest bearing, have no specific terms of repayment and are due on demand.

7. Financial Instruments

The Foundation is exposed to various risks by virtue of holding financial instruments. There have been no changes to the Foundation's exposure to those risks nor in how those risks are managed since the previous year.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation is exposed to credit risk in relation to cash, amounts receivable and fixed-term securities held through its investment in pooled funds. The Foundation mitigates the risk by dealing with creditworthy financial institutions and counterparties.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Foundation will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity arises from accounts payable and due to Royal Victoria Hospital Foundation.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, other price risk and currency risk. Each of these risks is discussed hereafter.

Interest Rate Risk

The Foundation is exposed to financial risks that arise from fluctuations of interest rates and the degree of volatility of these rates. The Foundation is exposed to interest rate risk with respect to its investments. The fixed-term securities held inside the units of the pooled funds earn interest at various coupon rates ranging between 0.75% and 6.90% (2017 - 0.50% and 6.90%) and mature at various dates up to 2048 (2017 - 2048).

McGill University Health Centre Foundation

Notes to Financial Statements

March 31, 2018

7. Financial Instruments (Continued)

Other Price Risk

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation's exposure to price risk relates to changes in market prices in its investment portfolio. The Foundation moderates this risk through the selection and diversification of securities within its portfolio. The Foundation's investment guidelines allow for investments in certain "permitted investments". The target allocation is currently set at 60% fixed income, 30% equities and 10% international equities.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation owns investments denominated in various foreign currencies traded on foreign stock exchanges.

The market value of securities in foreign currencies at March 31, 2018 was \$1,152,232 (2017 - \$1,127,691).

8. Subsequent Event

Effective April 1, 2018, the Foundation and the Royal Victoria Hospital Foundation were amalgamated. The charity registration number of the McGill University Health Centre Foundation was retained on amalgamation.

9. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation.
