

**McGill University Health Centre
Foundation**
Financial Statements
For the year ended March 31, 2017

McGill University Health Centre Foundation
Financial Statements
For the year ended March 31, 2017

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, 2017, 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, 2017, 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 21, 2017

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				2017	2016
	General Fund	Trust, Special and Capital Campaign Funds	Endowment Fund	Total	Total
Assets					
Current					
Cash	\$ 200	\$ 9,752,703	\$ -	\$ 9,752,903	\$ 7,034,604
Contributions and other receivables (Note 3)	20,384	31,112	217	51,713	979,065
Investments (Note 4)	1,752,574	-	-	1,752,574	2,299,470
Due from other funds (Note 7)	-	665,908	689,034	1,354,942	39,163
Prepaid expenses and other assets	10,733	35,518	-	46,251	35,977
	<u>1,783,891</u>	<u>10,485,241</u>	<u>689,251</u>	<u>12,958,383</u>	<u>10,388,279</u>
Investments (Note 4)	-	2,113,241	2,006,418	4,119,659	2,467,900
	<u>\$ 1,783,891</u>	<u>\$ 12,598,482</u>	<u>\$ 2,695,669</u>	<u>\$ 17,078,042</u>	<u>\$ 12,856,179</u>
Liabilities and Capital					
Current					
Accounts payable and accrued liabilities	\$ 82,397	\$ 22,293	\$ 2,458	\$ 107,148	\$ 157,669
Due to the Royal Victoria Hospital Foundation (Note 2)	40,531	-	-	40,531	549,379
Funds payable to the Research Institute (Note 5)	1,752,574	-	-	1,752,574	2,299,470
Due to other funds (Note 7)	1,354,942	-	-	1,354,942	39,163
	<u>3,230,444</u>	<u>22,293</u>	<u>2,458</u>	<u>3,255,195</u>	<u>3,045,681</u>
Capital					
Fund balances					
Unrestricted	(1,446,553)	-	-	(1,446,553)	(32,293)
Restricted	-	12,576,189	2,693,211	15,269,400	9,842,791
	<u>(1,446,553)</u>	<u>12,576,189</u>	<u>2,693,211</u>	<u>13,822,847</u>	<u>9,810,498</u>
	<u>\$ 1,783,891</u>	<u>\$ 12,598,482</u>	<u>\$ 2,695,669</u>	<u>\$ 17,078,042</u>	<u>\$ 12,856,179</u>

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

2017

2016

	General Fund	Trust, Special and Capital Campaign Funds	Endowment Fund	Total	Total
Revenue					
Donations and grants	\$ 364,905	\$ 9,277,287	\$ 1,487,328	\$ 11,129,520	\$ 8,841,456
Investment income (Note 6)	139,524	83,679	145,530	368,733	76,253
Net proceeds from activities	-	-	-	-	6,913
	504,429	9,360,966	1,632,858	11,498,253	8,924,622
Expenditures					
Administrative and fundraising costs	1,933,029	215,573	-	2,148,602	1,160,832
Investment management fees	8,183	557	6,322	15,062	16,869
	1,941,212	216,130	6,322	2,163,664	1,177,701
(Deficiency) excess of revenue over expenditures before the following	(1,436,783)	9,144,836	1,626,536	9,334,589	7,746,921
Distributions for the benefit of the MUHC	-	(5,272,240)	(50,000)	(5,322,240)	(4,991,041)
(Deficiency) excess of revenue over expenditures for the year	\$ (1,436,783)	\$ 3,872,596	\$ 1,576,536	\$ 4,012,349	\$ 2,755,880

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	2017				2016
	General Fund	Trust, Special and Capital Campaign Funds	Endowment Fund	Total	Total
Fund balances , beginning of year	\$ (32,293)	\$ 8,726,116	\$ 1,116,675	\$ 9,810,498	\$ 7,054,618
(Deficiency) excess of revenue over expenditures for the year	(1,436,783)	3,872,596	1,576,536	4,012,349	2,755,880
Interfund transfers (Note 7)	22,523	(22,523)	-	-	-
Fund balances , end of year	\$ (1,446,553)	\$ 12,576,189	\$ 2,693,211	\$ 13,822,847	\$ 9,810,498

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	2017	2016
Cash flows from operating activities		
Contributions received from individuals, corporations, and events	\$ 12,055,000	\$ 7,876,352
Interest and investment income	138,935	161,228
	12,193,935	8,037,580
Office administration, investment management fees and fundraising expenses paid	(2,724,589)	(611,140)
Grants and transfers for the benefit of the MUHC	(5,322,240)	(4,991,041)
	(8,046,829)	(5,602,181)
	4,147,106	2,435,399
Cash flows from investment activities*		
Purchase of other assets	(4,416)	(9,965)
Purchase of investments	(1,513,554)	(3,419,113)
Proceeds on sale of investments	89,163	3,010,451
	(1,428,807)	(418,627)
Increase in cash	2,718,299	2,016,772
Cash, beginning of year	7,034,604	5,017,832
Cash, end of year	\$ 9,752,903	\$ 7,034,604

* 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, 2017

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. Proceeds from fundraising 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, 2017

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 contribution and other receivables.

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

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 (loss) 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. However, 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, 2017

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, 2017 and 2016 and for the years then ended is as follows:

	2017	2016
Total assets	\$ 140,722,738	\$ 137,376,835
Total liabilities	\$ 43,429,278	\$ 45,611,580
Total fund balances	97,293,460	91,765,255
	\$ 140,722,738	\$ 137,376,835
	2017	2016
Revenue and investment income	\$ 16,462,592	\$ 8,018,108
Expenses and distributions to MUHC	10,934,387	12,421,838
Excess (deficiency) of revenue over expenditures	\$ 5,528,205	\$ (4,403,730)
Cash flows used for operations	\$ (1,794,345)	\$ (2,207,403)
Cash flows from investment activities	\$ 2,102,485	\$ 2,009,065

Fund balances included restricted Trust, Special and Capital Campaign funds in the amount of \$11,747,711 (2016 - \$11,145,350) and endowments of \$84,918,509 (2016 - \$81,055,592).

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 amounts 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, 2017

3. Contributions and Other Receivables

	2017	2016
Contribution receivable - RH Webster Foundation	\$ -	\$ 950,000
Sales taxes recoverable	49,975	12,081
Other receivables	1,738	16,984
	\$ 51,713	\$ 979,065

4. Investments

	2017		2016	
	Fair Value	Cost	Fair Value	Cost
Pooled funds	\$ 5,872,233	\$ 5,510,034	\$ 4,767,370	\$ 4,626,135
Less: current portion - investments held on behalf of the Research Institute	1,752,574	1,618,134	2,299,470	2,231,347
Long-term portion	\$ 4,119,659	\$ 3,891,900	\$ 2,467,900	\$ 2,394,788

5. 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, 2017, an amount of \$1,752,574 was included in the current liabilities (2016 - \$2,299,470). The assets that have been restricted in the General Fund include investments at fair value of \$1,752,574 (2016 - \$2,299,470).

McGill University Health Centre Foundation Notes to Financial Statements

March 31, 2017

6. Investment Income

Investment income is comprised of the following:

	2017	2016
Interest and dividends	\$ 138,935	\$ 161,228
Gain on sale of investments	69,224	165,173
Change in unrealized gain (loss) on investments	160,574	(250,148)
	\$ 368,733	\$ 76,253

7. Interfund Transfers

	2017			2016	
	General Funds	Trust, Special and Capital Campaign Funds	General Endowment Funds	Total	Total
Transfer to (from) other funds	\$ 22,523	\$ (22,523)	\$ -	\$ -	\$ -

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

8. Pension Plan

The Foundation sponsors a defined contribution plan, the McGill University Health Centre Foundation Group Savings Plan (the "Plan"), whereby it matches qualified employees' contributions into the Plan to a maximum of 5% of the employees' salary. The pension plan expense for the year ended March 31, 2017 is \$Nil (2016 - \$16,140).

McGill University Health Centre Foundation

Notes to Financial Statements

March 31, 2017

9. 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 hereunder.

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 0.50% and 6.90% (2016 - 0.25% and 6.90%) and mature at various dates up to 2048 (2016 - 2048).

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.

McGill University Health Centre Foundation Notes to Financial Statements

March 31, 2017

9. Financial Instruments (Continued)

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, 2017 was \$1,127,691 (2016 - \$691,030).

10. Comparative Figures

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