
Financial statements of The Foundation of Greater Montreal

December 31, 2017

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Deloitte LLP
La Tour Deloitte
1190 Avenue des
Canadiens-de-Montréal
Suite 500
Montréal QC H3B 0M7
Canada

Tel: 514-393-7115
Fax: 514-390-4116
www.deloitte.ca

Independent Auditor's Report

To the Members of
The Foundation of Greater Montreal

We have audited the accompanying financial statements of The Foundation of Greater Montreal, which comprise the statement of financial position as at December 31, 2017, and the statements of operations and 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Foundation of Greater Montreal as at December 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.

Deloitte LLP

March 29, 2018

¹ CPA auditor, CA, public accountancy permit No. A120628

The Foundation of Greater Montreal
Statement of operations and changes in fund balances
Year ended December 31, 2017

				2017	2016
Notes	Operating Fund	Distribution Fund	Endowment Fund	Total	Total
	\$	\$	\$	\$	\$
Revenue					
9 Donations	211,341	2,706,038	33,021,351	35,938,730	58,819,189
Realized investment income	82,984	17,453,999	—	17,536,983	5,080,699
Management fees	1,093,355	(501,978)	—	591,377	524,147
Administration fees	1,231,763	(626,568)	—	605,195	531,180
Other	13,710	37,500	—	51,210	1,872
	2,633,153	19,068,991	33,021,351	54,723,495	64,957,087
Expenses					
Grants	—	14,930,282	—	14,930,282	5,885,686
Administration	897,065	—	—	897,065	931,436
Investment management and custodial fees	635,772	—	—	635,772	569,464
Community engagement	172,076	109,133	—	281,209	158,166
Life insurance premiums received in donations	—	24,029	—	24,029	15,695
Communications and marketing	260,625	170,734	—	431,359	222,154
Philanthropic development	260,606	919	—	261,525	248,797
Amortization of capital assets	50,300	—	—	50,300	54,148
	2,276,444	15,235,097	—	17,511,541	8,085,546
Excess of revenue over expenses before change in unrealized fair value of investments	356,709	3,833,894	33,021,351	37,211,954	56,871,541
Change in unrealized fair value of investments	(70,199)	(6,721,620)	—	(6,791,819)	(3,020,752)
Excess (deficiency) of revenue over expenses	286,510	(2,887,726)	33,021,351	30,420,135	53,850,789
Fund balances, beginning of year	781,504	50,659,210	87,425,824	138,866,538	85,015,749
Transfer of change in unrealized fair value of investments	—	10,744,259	(10,744,259)	—	—
Other transfers	—	1,621,530	(1,621,530)	—	—
Fund balances, end of year	1,068,014	60,137,273	108,081,386	169,286,673	138,866,538

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


The Foundation of Greater Montreal
Statement of financial position
As at December 31, 2017


		2017			2016
	Notes	Operating Fund	Distribution Fund	Endowment Fund	Total
		\$	\$	\$	\$
Assets					
Current assets					
Cash		285,578	1,237,830	—	1,523,408
Accounts receivable		910,132	—	—	910,132
Amounts due from the Operating Fund		—	35,041*	—	—
Amounts due from the Endowment Fund		—	21,192,771*	—	—
Accrued interest and dividends		—	48,059	—	48,059
Investments	3	—	33,607,406	—	33,607,406
Prepaid expenses		33,909	—	—	33,909
		1,229,619	56,121,107	—	36,122,914
Investments	3	511,121	4,266,835	129,274,157	134,052,113
Capital assets	4	7,646	—	—	7,646
		1,748,386	60,387,942	129,274,157	170,182,673
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities		397,275	—	—	397,275
Amounts due to the Distribution Fund		35,041*	—	21,192,771*	—
Deferred contributions	7	245,407	250,669	—	496,076
		677,723	250,669	21,192,771	893,351
Deferred contributions related to capital assets	7	2,649	—	—	2,649
		680,372	250,669	21,192,771	896,000
Fund balances					
Externally restricted	8	—	60,137,273	107,663,937	167,801,210
Internally restricted		—	—	417,449	417,449
Invested in capital assets		4,997	—	—	4,997
Unrestricted		1,063,017	—	—	1,063,017
		1,068,014	60,137,273	108,081,386	169,286,673
		1,748,386	60,387,942	129,274,157	170,182,673

* These items are not reported in the Total column because they offset each other.

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

Approved by the Board


_____, Director


_____, Director

The Foundation of Greater Montreal
Statement of cash flows
Year ended December 31, 2017

	2017	2016
	\$	\$
Operating activities		
Excess of revenue over expenses	30,420,135	53,850,789
Adjustments for:		
Shares donation	(15,638,670)	(47,709,410)
Change in unrealized fair value of investments	6,791,819	3,020,752
Amortization of capital assets	50,300	54,148
Write-off of capital assets	—	593
Amortization of deferred contributions related to capital assets	(46,311)	(49,714)
	21,577,273	9,167,158
Changes in non-cash operating working capital items		
Accounts receivable	(582,539)	17,400
Accrued interest and dividends	4,026	5,865
Prepaid expenses	(3,401)	(1,007)
Accounts payable and accrued liabilities	127,421	(411)
Deferred contributions	256,919	96,250
	21,379,699	9,285,255
Investing activities		
Acquisition of investments	(53,489,153)	(14,514,986)
Proceeds on redemption of investments	32,107,572	6,066,757
Acquisition of capital assets	(1,224)	—
	(21,382,805)	(8,448,229)
Net (decrease) increase in cash	(3,106)	837,026
Cash, beginning of year	1,526,514	689,488
Cash, end of year	1,523,408	1,526,514

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

1. Status and nature of activities

The Foundation of Greater Montreal (the "FGM"), incorporated on December 20, 1999, under Part II of the *Canada Corporations Act*, with its statutes extended on December 4, 2012, under the *Canada Not-for-profit Corporations Act*, has the purpose of collecting donations, mainly through bequests or endowment funds, in order to promote social development, arts and culture, education, health and the environment. The FGM can also manage funds entrusted to it for administrative purposes. The FGM is a registered charity under the *Income Tax Act*.

2. Accounting policies

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

Fund accounting

The FGM follows the restricted fund method of accounting for its activities:

a) *Operating Fund*

The Operating Fund consists of the following elements:

Invested in capital assets

The amounts correspond to the book value of the capital assets held by the FGM, net of amounts received in relation to their financing.

Unrestricted

The amounts correspond to funds available for the operating activities of the FGM.

b) *Distribution Fund*

The Distribution Fund is a fund in which the FGM records donations to be distributed in accordance with the wishes of the donors, donations without external restrictions, realized investment income to be distributed, unrealized investment income related to resources held by the distribution fund, grants disbursed, as well as any directly related expenses.

c) *Endowment Fund*

The Endowment Fund comprises the elements mentioned below:

Externally restricted

The restrictions comprise the following:

Endowments

Endowments include donations that, according to donor specifications, must be held-in-perpetuity or for a specific period of time, usually for a minimum of 10 years.

2. Accounting policies (continued)

Fund accounting (continued)

c) Endowment Fund (continued)

Externally restricted (continued)

Unrealized (loss) gain on fair value of investments

This restriction includes the unrealized (loss) gain on fair value on endowment investments, which is presented in the Endowment Fund, until it is realized.

Internally restricted

These restrictions arise transfers from the Distribution Fund to protect the capital against inflation. The amounts cannot be used without the prior consent of the FGM Board of Directors.

Revenue recognition

Unrestricted contributions are recognized as revenue of the Operating Fund in the year they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. Contributions received to be distributed in accordance with the wishes of the donors are recognized as revenue of the Distribution Fund. Restricted contributions for capital assets are recorded as deferred contributions and recognized as revenue when the related capital assets are amortized. Endowment contributions are recognized as revenue of the Endowment Fund.

Donations received in-kind, estimated at the fair value established by an independent appraiser, are recorded in the year in which they are received.

Pledges are presented by way of a note to the financial statements.

Investment income is recognized when it is earned. It is recorded as revenue in the Distribution Fund. The unrealized portion of the investment income is transferred to the Endowment Fund.

Capital assets

Capital assets are accounted for at cost and are amortized based on their useful life using the following method and periods:

Furniture and equipment	Straight-line	5 years
Computer hardware	Straight-line	5 years
Management information system	Straight-line	3 years

Financial instruments

Financial assets and liabilities are initially recognized at fair value when the FGM becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for investments, which are measured at fair value at the closing date. Fair value fluctuations, including interest earned, interest accrued, gains and losses realized on disposal, and unrealized gains and losses are included in investment income in the statement of operations and changes in fund balances.

The Foundation of Greater Montreal
Notes to the financial statements
December 31, 2017

2. Accounting policies (continued)

Financial instruments (continued)

Transaction costs related to financial instruments measured 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 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 as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the FGM 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.

Allocation of expenses

Personnel costs and employer's contributions are allocated based on proportion of time spent on activities by the employees.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenue and expenses during the reporting period. Actual results could differ from these estimates.

3. Investments

	<u>2017</u>	<u>2016</u>
	\$	\$
116,385.036 units (74,969.305 units as at December 31, 2016) of The Foundation of Greater Montreal Investment Fund (Note 5)	130,465,645	92,049,862
Canadian shares	34,723,944	42,649,580
US Shares	1,041,752	—
Preferred shares from a private company, redeemable after the death of the last survivor of the two donors, dividend of 4.725%	1,000,000	1,000,000
Mortgage loan, bearing interest at 4.500% until May 2018 and at 4,750% by then and maturing in 2025	178,178	187,922
Short-term guaranteed investment certificate	250,000	1,543,723
	167,659,519	137,431,087
Short-term portion	33,607,406	44,193,303
	134,052,113	93,237,784

The Foundation of Greater Montreal
Notes to the financial statements
December 31, 2017

4. Capital assets

	2017		2016
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture and equipment	31,529	28,944	2,302
Computer hardware	46,801	44,389	5,460
Management information system	150,154	147,505	48,960
	228,484	220,838	56,722

5. The Foundation of Greater Montreal Investment Fund

In addition to managing its own funds, the FGM manages funds entrusted to it by various entities through The Foundation of Greater Montreal Investment Fund.

Separate financial statements are prepared for The Foundation of Greater Montreal Investment Fund, which presents its investments, comprised mainly of units of shares of investment funds, at fair value. As at December 31, the fair value of the funds managed by The Foundation of Greater Montreal Investment Fund and the number of units held are as follows:

	2017		2016	
	Number of units	Fair value	Number of units	Fair value
		\$		\$
Funds belonging to the FGM	116,385.036	130,465,645	74,969.305	92,049,862
Funds managed for various entities	110,359.534	123,711,163	90,429.684	111,038,624
	226,744.570	254,176,808	165,398,989	203,088,486

6. Line of credit

The FGM has access to an authorized line of credit of \$100,000 as at December 31, 2017 (\$100,000 as at December 31, 2016), bearing interest at prime rate plus 3%. As at December 31, 2017 and 2016, the line of credit was not used.

7. Deferred contributions

Deferred contributions amounting to \$496,076 (\$239,157 in 2016) consist of external resources received in relation to a fundraising activity and programs for which expenses are not yet incurred as at December 31, 2017.

The Foundation of Greater Montreal
Notes to the financial statements
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7. Deferred contributions (continued)

	2017	2016
	\$	\$
Balance, beginning of year	239,157	145,781
Contributions received during the year	256,919	96,250
Transferred to deferred contributions related to capital assets	—	(2,874)
Balance, end of year	496,076	239,157

Deferred contributions related to capital assets of \$2,649 (\$48,960 in 2016), consist of external resources, which the donor has restricted for the management information system, received in relation to a fundraising activity.

	2017	2016
	\$	\$
Balance, beginning of year	48,960	95,800
Transferred from deferred contributions	—	2,874
Amounts recognized as revenue during the year	(46,311)	(49,714)
Balance, end of year	2,649	48,960

8. Externally restricted – endowment

a) *Composition*

The externally restricted amounts are distributed as follows:

	2017	2016
	\$	\$
Endowments	110,609,032	79,209,211
Unrealized (loss) gain on fair value of endowment investments	(2,945,095)	7,799,164
	107,663,937	87,008,375

b) *Endowments*

Following the agreements between the donors, the Conseil des arts et des lettres du Québec and the FGM, some donations remain the property of the FGM in perpetuity, for a minimal period of 5 years, for a period from 1 to 5 years, or for a period of less than 1 year. The externally restricted amounts are distributed as follows:

	2017	2016
	\$	\$
Perpetuity	91,678,667	62,943,008
More than 5 years	14,018,742	12,608,116
From 1 year to 5 years	4,334,077	3,277,180
Less than 1 year	577,546	380,907
	110,609,032	79,209,211

The Foundation of Greater Montreal
Notes to the financial statements
December 31, 2017

9. Revenue

a) *Donations*

During the year, the FGM received donations of \$35,938,730 (\$58,819,189 in 2016). Donations for 2017 include an amount of \$24,029 (\$15,695 in 2016), regarding life insurance premiums paid for which the FGM is the beneficiary of the proceeds.

b) *Realized investment income*

	2017	2016
	\$	\$
Units of The Foundation of Greater Montreal Investment Fund	18,765,566	4,851,661
Other investments	(1,228,583)	229,038
	17,536,983	5,080,699

c) *Management fees*

	2017	2016
	\$	\$
The Foundation of Greater Montreal Investment Fund	1,093,355	944,181
Less: professional fees attributable to The Foundation of Greater Montreal	(501,978)	(420,034)
	591,377	524,147

d) *Administration fees*

	2017	2016
	\$	\$
The Foundation of Greater Montreal Investment Fund unitholders	1,231,763	1,056,930
Less: professional fees attributable to The Foundation of Greater Montreal	(626,568)	(525,750)
	605,195	531,180

10. Life insurance

The FGM has been assigned as the owner and beneficiary of life insurance policies. As at December 31, 2017, the amount of insurance in force totals \$2,700,000 (\$2,650,000 in 2016).

11. Financial instruments

Because of its financial assets, the FGM is exposed to the following risks related to the use of financial instruments:

Market risk

Financial risk is the risk to which the return on the investment portfolio is exposed and stems from fluctuations in interest rates, stock indexes and the degree of volatility of these rates and indexes.

Interest rate risk

A portion of the investments of The Foundation of Greater Montreal Investment Fund, in which the FGM holds units, is invested in fixed income funds which hold bonds and debentures, which bear interest at a fixed rate. The mortgage loan also bears interest at a fixed rate. Consequently, a change in market interest rate will have an impact on the fair value of the units held by the FGM and the mortgage loan.

Foreign currency risk

A portion of the investments of The Foundation of Greater Montreal Investment Fund, in which the FGM holds units, is invested in shares and interests in equity funds invested in foreign countries. The units held by the FGM are consequently exposed to changes in foreign currencies. The same applies to the earned income associated with these units.

Credit risk

Credit risk is primarily attributable to the fact that a portion of the investments of The Foundation of Greater Montreal Investment Fund, in which the FGM holds units, is invested in fixed income funds which hold bonds and debentures. Therefore, there is a credit risk that the bond or debenture issuers will be unable to pay their obligations towards a fixed income fund, and this will have an impact on the assets of the FGM.

12. Commitments

Under a lease, the FGM must pay the annual expenses related to its occupancy. On an annual basis, the commitment is about \$115,000 until 2024.