
Financial statements of
The Foundation of Greater Montreal

December 31, 2021

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Independent Auditor's Report

To the Members of
The Foundation of Greater Montreal

Opinion

We have audited the financial statements of The Foundation of Greater Montreal (the "FGM"), which comprise the statement of financial position as at December 31, 2021, and the statements of operations and 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 FGM as at December 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.

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 audit 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 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.

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 FGM's internal controls.
- 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 FGM'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 FGM 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

April 11, 2022

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, 2021

		2021			2020
Notes	Operating Fund	Distribution Fund	Endowment Fund	Total	Total
	\$	\$	\$	\$	\$
Revenue					
Contributions	217,980	32,296,628	15,225,571	47,740,179	45,869,605
Realized investment income	102,314	19,968,825	—	20,071,139	15,331,696
Management fees	1,779,046	(1,113,089)	—	665,957	632,387
Administration fees	1,768,262	(1,198,138)	—	570,124	537,385
Other	306,606	367,544	—	674,150	762,769
	4,174,208	50,321,770	15,225,571	69,721,549	63,133,842
Expenses					
Grants	—	24,419,050	—	24,419,050	33,336,767
Administration	1,611,339	401	—	1,611,740	1,579,312
Investment management and custodial fees	1,325,259	—	—	1,325,259	1,083,372
Community engagement	114,339	1,166,197	—	1,280,536	614,723
Life insurance premiums received in donations	—	35,862	—	35,862	35,862
Public affairs and communications	332,168	42,396	—	374,564	394,538
Philanthropic development	471,920	—	—	471,920	343,857
	3,855,025	25,663,906	—	29,518,931	37,388,431
Excess of revenue over expenses before change in unrealized fair value of investments	319,183	24,657,864	15,225,571	40,202,618	25,745,411
Change in unrealized fair value of investments	17,018	2,461,285	—	2,478,303	3,297,857
Excess of revenue over expenses	336,201	27,119,149	15,225,571	42,680,921	29,043,268
Fund balances, beginning of year	1,512,516	76,985,175	168,356,156	246,853,847	217,810,579
Transfer of change in unrealized fair value of investments	—	(1,993,850)	1,993,850	—	—
Other transfers	—	1,311,944	(1,311,944)	—	—
Fund balances, end of year	1,848,717	103,422,418	184,263,633	289,534,768	246,853,847

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

The Foundation of Greater Montreal

Statement of financial position


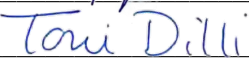
As at December 31, 2021

		2021			2020
Notes	Operating Fund	Distribution Fund	Endowment Fund	Total	Total
	\$	\$	\$	\$	\$
Assets					
Current assets					
Cash	10,710,234	1,849,059	3,068,842	15,628,135	4,765,754
Accounts receivable	828,244	—	—	828,244	1,489,450
Amounts due from the Distribution Fund	—	4,028,768*	—	—	—
Amounts due from the Endowment Fund	—	30,210,257*	—	—	—
Accrued interest and dividends	—	66,115	—	66,115	62,551
Short-term portion of investments	25,637	35,773,259	447,658	36,246,554	25,275,308
Prepaid expenses	64,745	—	—	64,745	45,560
	11,628,860	71,927,458	3,516,500	52,833,793	31,638,623
Investments	1,450,885	31,495,156	210,957,390	243,903,431	218,254,934
	13,079,745	103,422,614	214,473,890	296,737,224	249,893,557
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	1,343,542	196	—	1,343,738	2,380,091
Amounts due to the Foundation of Greater Montreal Investment Fund	5,368,264	—	—	5,368,264	—
Amounts due to the Distribution Fund	4,028,768*	—	30,210,257*	—	—
Deferred contributions	490,454	—	—	490,454	659,619
	11,231,028	196	30,210,257	7,202,456	3,039,710
Commitment					
Fund balances					
Externally restricted	—	103,422,418	183,846,184	287,268,602	244,923,882
Internally restricted	—	—	417,449	417,449	417,449
Unrestricted	1,848,717	—	—	1,848,717	1,512,516
	1,848,717	103,422,418	184,263,633	289,534,768	246,853,847
	13,079,745	103,422,614	214,473,890	296,737,224	249,893,557

* 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, 2021

	2021	2020
	\$	\$
Operating activities		
Excess of revenue over expenses	42,680,921	29,043,268
Adjustments for:		
Shares donation	(771,194)	(512,420)
Change in unrealized fair value of investments	(2,478,303)	(3,297,857)
	39,431,424	25,232,991
Changes in non-cash operating working capital items		
Accounts receivable	661,206	499,216
Accrued interest and dividends	(3,564)	5,078
Prepaid expenses	(19,185)	(16,199)
Accounts payable and accrued liabilities	(1,036,353)	427,706
Amounts due to the Foundation of Greater Montreal Investment Fund	5,368,264	—
Deferred contributions	(169,165)	125,051
	44,232,627	26,273,843
Investing activities		
Acquisition of investments	(58,014,406)	(68,926,877)
Disposal of investments	24,644,160	41,882,488
	(33,370,246)	(27,044,389)
Net increase (decrease) in cash	10,862,381	(770,546)
Cash, beginning of year	4,765,754	5,536,300
Cash, end of year	15,628,135	4,765,754

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:

Adoption of the amendments to Section 3856, Financial Instruments, for financial instruments originated or exchanged in a related party transaction

Effective January 1, 2021, the FGM has adopted the amendments to *CPA Canada Handbook Section 3856, Financial Instruments* ("Section 3856") related to the recognition of financial instruments originated or exchanged in a related party transaction, referred to herein as the "related party financial instruments amendments".

These amendments to Section 3856 establish new guidance for determining the measurement of a related party financial instrument. The related party financial instruments amendments require that such a financial instrument is initially measured at cost.

The adoption of these amendments has no material impact on the disclosures, or the amounts recognized in the FGM's financial statements in the current period.

Fund accounting

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

a) Operating Fund

The Operating Fund consists of the 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, 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.

2. Accounting policies (continued)

Fund accounting (continued)

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.

Unrealized gain on fair value of investments

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

Internally restricted

These restrictions arise from transfers from the Distribution Fund to protect the capital. The amounts cannot be used without the prior consent of the FGM's 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. 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.

Investment income is recognized when it is earned. It is recorded as revenue in the Fund it relates to with the exception of investment income from the Endowment Fund's investments that are presented in the Distribution Fund. The unrealized portion of the investment income is transferred to the Endowment 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 FGM 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 FGM in the transaction.

2. Accounting policies (continued)

Financial instruments (continued)

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 and changes in fund balances.

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 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.

The Foundation of Greater Montreal
Notes to the financial statements
December 31, 2021

3. Investments

	2021	2020
	\$	\$
197,650.577 units (175,009.130 units as at December 31, 2020) of The Foundation of Greater Montreal Investment Fund (Note 4)	239,725,838	209,374,797
Canadian shares	25,376,024	25,964,280
U.S. shares	317,484	3,178,732
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 4.750% and maturing in 2025	140,793	147,305
Short-term guaranteed investment certificates	12,838,916	3,157,220
Other	750,930	707,908
	280,149,985	243,530,242
Short-term portion	36,246,554	25,275,308
	243,903,431	218,254,934

4. 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, 2021, the fair value of the funds managed by The Foundation of Greater Montreal Investment Fund and the number of units held are as follows:

	2021		2020	
	Number of units	Fair value	Number of units	Fair value
		\$		\$
Funds belonging to the FGM	197,650.577	239,725,838	175,009.130	209,374,797
Funds managed for various entities	111,424.405	135,144,098	106,955.369	127,957,659
	309,074.982	374,869,936	281,964.499	337,332,456

5. Line of credit

The FGM has access to an authorized line of credit of \$100,000 as at December 31, 2021 (\$100,000 as at December 31, 2020), bearing interest at prime rate of 2.45% plus 1.00% (2.45% plus 1.00% in 2020). As at December 31, 2021 and 2020, the line of credit was not used.

6. Deferred contributions

Deferred contributions consist of external resources received in relation to a fundraising activity and programs for which expenses are not yet incurred as at December 31, 2021.

	2021	2020
	\$	\$
Balance, beginning of year	659,619	534,568
Contributions received during the year	733,530	869,800
Amount recognized as revenue during the year	(902,695)	(744,749)
Balance, end of year	490,454	659,619

7. Externally restricted

Distribution fund

The externally restricted amounts of the distribution fund originate from three sources. The first one is the capital of the funds for which is foreseen, in the agreement between the FGM and the creator of the fund, a gradual distribution of the capital within a 10 year period. The next one is the realized investment income from endowment funds to be distributed according to the donor's wishes, without regards to the planned distributions. Finally, the distribution fund comprises amounts received from diverse partnership agreements for philanthropic projects spanning over the current year. The externally restricted amounts of the distribution fund are distributed as follows:

	2021	2020
	\$	\$
Funds to be distributed	70,977,852	50,590,439
Realized investment income from endowment funds	30,210,257	25,331,749
Other amounts available for distribution	2,234,309	1,062,987
	103,422,418	76,985,175

Endowment fund

a) *Composition*

The externally restricted amounts are distributed as follows:

	2021	2020
	\$	\$
Endowments	173,935,724	160,022,097
Unrealized gain on fair value of endowment investments	9,910,460	7,916,610
	183,846,184	167,938,707

7. Externally restricted (continued)

Endowment fund (continued)

b) Endowments

Following the agreements between the donors and the FGM, to which can also participate the ministry of Culture and Communications, the department of Canadian Heritage 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:

	2021	2020
	\$	\$
Perpetuity	146,529,841	131,643,795
More than 5 years	12,802,810	14,235,760
From 1 year to 5 years	10,272,162	9,404,899
Less than 1 year	4,330,911	4,737,643
	173,935,724	160,022,097

Under the Canada Cultural Investment Fund program (Endowment Incentives), the department of Canadian Heritage incentivizes not-for-profit professional arts organizations, to find new sources of funding. Under this program, organizations donate funds to the FGM. These donations are then owned by FGM in an endowment fund. The department of Canadian Heritage then also contributes to the endowment fund then also contributes amounts to the endowment fund, which are to be maintained perpetually. The realized investment income generated by the perpetuity fund is used to issue annual grants to the organizations. Since inception of the program in 2001, the FGM received a cumulative amount of \$14,611,778 (\$13,676,428 as at December 31, 2020) in donations from the department of Canadian Heritage. The endowment that should be maintained by FGM for the 42 organizations (40 in 2020) part of this program is of \$29,223,556 (\$27,352,856 as at December 31, 2020).

8. Revenue

a) Contributions

During the year, the FGM received contributions of \$47,740,179 (\$45,869,605 in 2020). Contributions for 2021 include an amount of \$35,862 (\$35,862 in 2020), regarding life insurance premiums paid for which the FGM is the beneficiary of the proceeds.

b) Realized investment income

	2021	2020
	\$	\$
Units of The Foundation of Greater Montreal Investment Fund	17,881,604	14,940,243
Other investments	2,189,535	391,453
	20,071,139	15,331,696

8. Revenue (continued)

c) Management fees

	2021	2020
	\$	\$
The Foundation of Greater Montreal Investment Fund	1,779,046	1,555,791
Less: professional fees attributable to the FGM	(1,113,089)	(923,404)
	665,957	632,387

d) Administration fees

	2021	2020
	\$	\$
The Foundation of Greater Montreal Investment Fund unitholders	1,768,262	1,568,536
Less: professional fees attributable to the FGM	(1,198,138)	(1,031,151)
	570,124	537,385

9. Life insurance

The FGM has been assigned as the owner and beneficiary of life insurance policies. As at December 31, 2021, the amount of insurance in force totals \$3,000,000 (\$3,000,000 in 2020).

10. Financial instruments

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

Market risk

Market risk is the risk that the fair value or future cash flows of the FGM's financial instruments will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk. The FGM is exposed to certain of these risks, as described below.

a) 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.

b) 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.

10. Financial instruments (continued)

Market risk (continued)

c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency 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 FGM is exposed to other price risk through its investments in listed shares for which the value fluctuates with the quoted market price.

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.

11. Commitment

Under a lease, the FGM must pay the annual expenses related to its occupancy. On an annual basis, the commitment is about \$150,000 until 2024.