

**McGill University Health Centre
Foundation**
Financial Statements
For the year ended March 31, 2016

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For the year ended March 31, 2016

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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, 2016, 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, 2016, 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.

Other Matter

The financial statements of the McGill University Health Centre Foundation for the year ended March 31, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on June 17, 2015.

BDO Canada S.r.l./S.E.N.C.R.L./LLP¹

Montréal, Québec
June 15, 2016

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 LLP/s.r.l./S.E.N.C.R.L.

McGill University Health Centre Foundation Statement of Financial Position

March 31					2016	2015
	General Fund	Best Care for Life Fund	Endowment Fund	Total		
Assets						
Current						
Cash	\$ -	\$ 7,034,604	\$ -	\$ 7,034,604	\$ 5,017,832	
Contributions and other receivables (Note 3)	14,258	964,707	99	979,064	43,533	
Investments (Note 4)	2,299,470	-	-	2,299,470	1,944,298	
Due from other funds (Note 9)	39,163	-	-	39,163	278	
Prepaid expenses	790	-	-	790	745	
	2,353,681	7,999,311	99	10,353,091	7,006,686	
Investments (Note 4)	-	1,312,161	1,155,739	2,467,900	2,399,504	
Capital assets (Note 5)	35,188	-	-	35,188	33,731	
	\$ 2,388,869	\$ 9,311,472	\$ 1,155,838	\$ 12,856,179	\$ 9,439,921	
Liabilities and Capital						
Current						
Accounts payable and accrued liabilities	\$ 121,692	\$ 35,977	\$ -	\$ 157,669	\$ 148,970	
Due to the Royal Victoria Hospital Foundation (Note 2)	-	549,379	-	549,379	-	
Funds payable to the Research Institute (Note 6)	2,299,470	-	-	2,299,470	2,236,055	
Due to other funds (Note 9)	-	-	39,163	39,163	278	
	2,421,162	585,356	39,163	3,045,681	2,385,303	
Capital						
Fund balances						
Invested in capital assets	35,188	-	-	35,188	33,731	
Unrestricted	(67,481)	-	-	(67,481)	(14,580)	
Restricted	-	8,726,116	1,116,675	9,842,791	7,035,467	
	(32,293)	8,726,116	1,116,675	9,810,498	7,054,618	
	\$ 2,388,869	\$ 9,311,472	\$ 1,155,838	\$ 12,856,179	\$ 9,439,921	

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

2016

2015

	General Fund	Best Care for Life Fund	Endowment Fund	Total	Total
Revenue					
Donations and grants	\$ 31,643	\$ 8,809,813	\$ -	\$ 8,841,456	\$ 8,457,329
Investment income (loss) (Note 7)	107,041	7,532	(38,320)	76,253	179,010
Net proceeds from activities (Note 8)	-	6,913	-	6,913	38,002
	138,684	8,824,258	(38,320)	8,924,622	8,674,341
Expenditures					
Administrative and fundraising costs	176,955	983,877	-	1,160,832	761,477
Investment management fees	-	8,967	7,902	16,869	17,960
	176,955	992,844	7,902	1,177,701	779,437
(Deficiency) excess of revenue over expenditures before the following	(38,271)	7,831,414	(46,222)	7,746,921	7,894,904
Distributions for the benefit of the MUHC	-	(4,951,041)	(40,000)	(4,991,041)	(5,629,029)
(Deficiency) excess of revenue over expenditures for the year	\$ (38,271)	\$ 2,880,373	\$ (86,222)	\$ 2,755,880	\$ 2,265,875

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	2016				2015	
	General Fund	Best Care for Life Fund	Endowment Fund	Total	Total	
Fund balances , beginning of year	\$ 19,151	\$ 5,832,570	\$ 1,202,897	\$ 7,054,618	\$	4,788,743
(Deficiency) excess of revenue over expenditures for the year	(38,271)	2,880,373	(86,222)	2,755,880		2,265,875
Interfund transfers	(13,173)	13,173	-	-		-
Fund balances , end of year	\$ (32,293)	\$ 8,726,116	\$ 1,116,675	\$ 9,810,498	\$	7,054,618

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	2016	2015
Cash flows from operating activities		
Contributions received from individuals, corporations, and events	\$ 7,876,352	\$ 7,634,032
Interest and investment income	161,228	96,296
	8,037,580	7,730,328
Office administration, investment management fees and fundraising expenses paid	(611,140)	(815,133)
Grants and transfers for the benefit of the MUHC	(4,991,041)	(5,629,029)
	(5,602,181)	(6,444,162)
	2,435,399	1,286,166
Cash flows from investment activities*		
Purchase of capital assets	(9,965)	(13,158)
Purchase of investments	(3,419,113)	(2,019,944)
Proceeds on sale of investments	3,010,451	2,850,223
	(418,627)	817,121
Increase in cash	2,016,772	2,103,287
Cash, beginning of year	5,017,832	2,914,545
Cash, end of year	\$ 7,034,604	\$ 5,017,832

* 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, 2016

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 Best Care for Life Fund include donations received by the Foundation in support of the Best Care for Life campaign. The fund consists of resources whose use is restricted in accordance with the stipulations and designations agreed to at the time the donations were committed. Income generated from investments held in this Fund is recognized as income of the General Fund, unless otherwise specified by the donor.

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.

McGill University Health Centre Foundation

Notes to Financial Statements

March 31, 2016

Capital Assets

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. When a capital asset no longer contributes to the Foundation's ability to provide services, its carrying amount is written down to its residual value. Amortization is calculated on a straight-line basis over the estimated useful lives of the capital assets as follows:

Computer hardware	3 years
Office furniture and equipment	5 years
Website	3 years

Pledges

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

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 and accrued liabilities, due to the Royal Victoria Hospital Foundation and funds payable to the Research Institute.

McGill University Health Centre Foundation

Notes to Financial Statements

March 31, 2016

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. 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.

2. Related Party

Royal Victoria Hospital Foundation (RVHF)

In the prior year the year, the Foundation's Board of Directors and the Board of Directors of the RVHF proposed to integrate the two Foundations with an aim of maximizing efficiencies across both entities and consolidating resources to better serve the missions of both Foundations. The integration plan was approved on April 29, 2015. While the organizations remain separate legal entities, the integration plan resulted in a common Board of Directors and a single President overseeing the activities of both Foundations. As of that date, 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.

McGill University Health Centre Foundation Notes to Financial Statements

March 31, 2016

2. Related Party (continued)

The RVHF has not been consolidated in these financial statements. A financial summary for the RVHF as at March 31, 2016 and 2015 and for the years then ended is as follows:

	2016	2015
Total assets	\$ 137,376,835	\$ 141,028,847
Total liabilities	\$ 45,611,580	\$ 44,859,862
Total fund balances	91,765,255	96,168,985
	\$ 137,376,835	\$ 141,028,847
Revenues and investment income	\$ 8,018,108	\$ 20,042,897
Expenses and distributions to MUHC	12,421,838	12,280,348
Excess of revenue over expenditures	\$ (4,403,730)	\$ 7,762,549
Cash flows (used for) from operations	\$ (2,207,403)	\$ 1,520,968
Cash from (used for) investing activities	\$ 2,009,065	\$ (1,622,154)

Fund balances included restricted Trust, Special and Capital Campaign funds in the amount of \$11,145,350 (2015 - \$13,080,195) and endowments of \$81,055,592 (2015 - \$83,803,979).

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.

3. Contributions and Other Receivables

	2016	2015
Contribution receivable - RH Webster Foundation	\$ 950,000	\$ -
Sales taxes recoverable	12,081	16,093
Other receivables	16,983	27,440
	\$ 979,064	\$ 43,533

McGill University Health Centre Foundation Notes to Financial Statements

March 31, 2016

4. Investments

	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Pooled funds	\$ 4,767,370	\$ 4,626,135	\$ -	\$ -
Fixed income securities	-	-	1,944,298	2,003,433
Equities	-	-	2,399,504	2,076,244
	4,767,370	4,626,135	4,343,802	4,079,677
Current portion - Investments held on behalf of the Research Institute	(2,299,470)	(2,231,347)	(1,944,298)	(2,003,433)
Long-term portion	\$ 2,467,900	\$ 2,394,788	\$ 2,399,504	\$ 2,076,244

During the year, the Foundation harmonized its investment policies with those of the RVHF. As a result, the Foundation changed investment managers and the investments held were reinvested according to the terms of the new investment policy.

5. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware	\$ 23,837	\$ 21,863	\$ 31,045	\$ 27,252
Furniture and fixtures	-	-	73,171	73,125
Website	39,857	6,643	29,892	-
	\$ 63,694	\$ 28,506	\$ 134,108	\$ 100,377
Net book value		\$ 35,188		\$ 33,731

Amortization of \$8,508 (2015 - \$1,970) is included in administrative and fundraising costs in the statement of revenue and expenditures. Fully amortized assets are not reflected above.

6. 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, 2016, an amount of \$2,299,470 was included in the current liabilities (2015 - \$2,236,055). The assets that have been restricted in the General Fund include cash of \$Nil (2015 - \$291,757) and investments at fair value of \$2,299,470 (2015 - \$1,944,298).

McGill University Health Centre Foundation Notes to Financial Statements

March 31, 2016

7. Investment Income

Investment income is comprised of the following:

	2016	2015
Interest and dividends	\$ 161,228	\$ 92,164
Gain on sale of investments	165,173	42,763
Change in unrealized gain on investments	(250,148)	44,083
	\$ 76,253	\$ 179,010

8. Net Proceeds from Activities

Net proceeds from activities include revenue and expenses from activities run by organizations associated with the Foundation, the amounts of which are as follows:

	2016			2015
	Revenue	Expenses	Net Proceeds	Net Proceeds
Fundraising events	\$ 28,358	\$ 21,445	\$ 6,913	\$ 38,002

9. Interfund Balances

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

10. Commitments

Operating Lease

The Foundation is committed under an operating lease for the rental of office space, expiring in November 2016. The minimum lease payments, which includes operating expenses, for the remaining lease term total \$142,000.

Best Care for Life

The Foundation and the RVHF have jointly committed to contribute a total of \$14.2 million toward the MUHC Best Care for Life Campaign, to be paid at various intervals through 2025.

McGill University Health Centre Foundation

Notes to Financial Statements

March 31, 2016

11. 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, 2016 is \$16,140 (2015 - \$18,584).

12. 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 except as stated herein.

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 both inside the units of the pooled funds (2015 - held directly in the investment portfolio) earn interest at various coupon rates ranging between 0.25% and 6.90% (2015 - 1.2% and 8.9%) and mature at various dates up to 2048 (2015 - December 2022).

McGill University Health Centre Foundation Notes to Financial Statements

March 31, 2016

12. 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 (2015 - Based on the respective funds, being, for the Best Care for Life Fund a range of 10% - 100% fixed income and 0% - 10% cash and money market securities, and for the Endowment Fund, 40% - 60% equities, 40% 60% fixed income and 0% - 10% cash and money market securities).

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, 2016 was \$691,030 (2015 - \$156,900).

13. Comparative Figures

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

The Foundation has also modified the presentation of cash flows from operations presented in the statement of cash flow to follow the direct method of presentation rather than the indirect method. The comparative amounts presented have therefore been reclassified to conform to the new presentation.
