
Financial statements of
The Foundation of Greater Montreal

December 31, 2019

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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 "Foundation"), which comprise the statement of financial position as at December 31, 2019, 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 Foundation as at December 31, 2019, 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 Foundation'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 Foundation'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 Foundation 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 8, 2020

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, 2019

	2019				2018
	Operating Fund	Distribution Fund	Endowment Fund	Total	Total
	\$	\$	\$	\$	\$
Revenue					
Donations	147,530	8,174,421	17,936,081	26,258,032	33,707,456
Realized investment income	40,098	6,978,097	—	7,018,195	8,338,202
Management fees	1,423,645	(793,464)	—	630,181	621,402
Administration fees	1,598,336	(1,060,281)	—	538,055	533,399
Others	26,411	260,730	—	287,141	257,027
	3,236,020	13,559,503	17,936,081	34,731,604	43,457,486
Expenses					
Grants	—	12,720,348	—	12,720,348	8,497,178
Administration	1,420,238	—	—	1,420,238	1,154,549
Investment management and custodial fees	872,303	—	—	872,303	887,653
Community engagement	167,120	192,921	—	360,041	287,079
Life insurance premiums received in donations	—	45,397	—	45,397	24,029
Communications and marketing	304,413	3,401	—	307,814	364,014
Philanthropic development	307,723	—	—	307,723	258,007
Amortization of capital assets	—	—	—	—	7,646
	3,071,797	12,962,067	—	16,033,864	11,480,155
Excess of revenue over expenses before change in unrealized fair value of investments	164,223	597,436	17,936,081	18,697,740	31,977,331
Change in unrealized fair value of investments	68,803	6,798,004	—	6,866,807	(9,017,972)
Excess of revenue over expenses	233,026	7,395,440	17,936,081	25,564,547	22,959,359
Fund balances, beginning of year	1,068,014	78,511,157	112,666,861	192,246,032	169,286,673
Transfer of change in unrealized fair value of investments	—	(13,507,837)	13,507,837	—	—
Other transfers	—	616,537	(616,537)	—	—
Fund balances, end of year	1,301,040	73,015,297	143,494,242	217,810,579	192,246,032

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

The Foundation of Greater Montreal

Statement of financial position


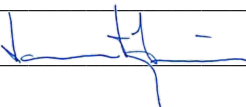
As at December 31, 2019

		2019			2018	
Notes	Operating Fund	Distribution Fund	Endowment Fund	Total	Total	
	\$	\$	\$	\$	\$	
Assets						
Current assets						
	Cash	1,934,126	3,574,973	27,201	5,536,300	1,742,839
	Accounts receivable	1,988,666	—	—	1,988,666	1,179,772
	Amounts due from the Operating Fund	—	1,144,118*	—	—	—
	Amounts due from the Endowment Fund	—	22,626,425*	—	—	—
	Accrued interest and dividends	—	67,629	—	67,629	84,265
3	Investments	25,000	28,852,786	908,032	26,785,818	40,095,744
	Prepaid expenses	29,361	—	—	29,361	38,096
		3,977,153	53,265,931	935,233	34,407,774	43,140,716
3	Investments	763,985	19,940,339	165,185,434	185,889,758	150,558,163
		4,741,138	73,206,270	166,120,667	220,297,532	193,698,879
Liabilities						
Current liabilities						
	Accounts payable and accrued liabilities	1,952,385	—	—	1,952,385	659,917
	Amounts due to the Distribution Fund	1,144,118*	—	22,626,425*	—	—
6	Deferred contributions	343,595	190,973	—	534,568	792,930
		3,440,098	190,973	22,626,425	2,486,953	1,452,847
11	Commitment					
Fund balances						
7	Externally restricted	—	73,015,297	143,076,793	216,092,090	190,760,569
	Internally restricted	—	—	417,449	417,449	417,449
	Unrestricted	1,301,040	—	—	1,301,040	1,068,014
		1,301,040	73,015,297	143,494,242	217,810,579	192,246,032
		4,741,138	73,206,270	166,120,667	220,297,532	193,698,879

* 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, 2019

	2019	2018
	\$	\$
Operating activities		
Excess of revenue over expenses	25,564,547	22,959,359
Adjustments for:		
Shares donation	(2,433,696)	(100,000)
Change in unrealized fair value of investments	(6,866,807)	9,017,972
Amortization of capital assets	—	7,646
Amortization of deferred contributions related to capital assets	—	(2,649)
	16,264,044	31,882,328
Changes in non-cash operating working capital items		
Accounts receivable	(808,894)	(269,640)
Accrued interest and dividends	16,636	(36,206)
Prepaid expenses	8,735	(4,187)
Accounts payable and accrued liabilities	1,292,468	262,642
Deferred contributions	(258,362)	296,854
	16,514,627	32,131,791
Investing activities		
Acquisition of investments	(33,780,909)	(44,989,867)
Disposal of investments	21,059,743	13,077,507
	(12,721,166)	(31,912,360)
Net increase in cash	3,793,461	219,431
Cash, beginning of year	1,742,839	1,523,408
Cash, end of year	5,536,300	1,742,839

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 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.

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 (loss) on fair value of investments

This restriction includes the unrealized gain (loss) 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 against inflation. The amounts cannot be used without the prior consent of the FGM's Board of Directors.

2. Accounting policies (continued)

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.

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 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

Financial assets and financial 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.

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.

The Foundation of Greater Montreal
Notes to the financial statements
December 31, 2019

3. Investments

	2019	2018
	\$	\$
153,696.932 units (138,952.469 units as at December 31, 2018) of The Foundation of Greater Montreal Investment Fund (Note 4)	177,511,202	145,690,968
Canadian shares	29,521,124	35,488,585
U.S. shares	2,588,362	1,747,272
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
Preferred shares from a private company, redeemable by mutual agreement	—	100,000
Mortgage loan, bearing interest at 4.750% on December 31, 2019 and on December 31, 2018 and maturing in 2025	158,010	168,242
Short-term guaranteed investment certificate	1,754,914	6,458,840
Other	141,964	—
	212,675,576	190,653,907
Short-term portion	26,785,818	40,095,744
	185,889,758	150,558,163

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

	2019		2018	
	Number of units	Fair value	Number of units	Fair value
		\$		\$
Funds belonging to the FGM	153,696.937	177,511,202	138,952.469	145,690,968
Funds managed for various entities	111,620.883	128,915,639	111,369.803	116,784,141
	265,317.820	306,426,841	250,322.272	262,475,109

5. Line of credit

The FGM has access to an authorized line of credit of \$100 000 as at December 31, 2019 (\$100,000 as at December 31, 2018), bearing interest at prime rate of 3.95% plus 3%. As at December 31, 2019 and 2018, 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, 2019.

	2019	2018
	\$	\$
Balance, beginning of year	792,930	496,076
Contributions received during the year	87,020	556,042
Amount recognized as revenue during the year	(345,382)	(259,188)
Balance, end of year	534,568	792,930

7. Externally restricted – endowment

a) Composition

The externally restricted amounts are distributed as follows:

	2019	2018
	\$	\$
Endowments	141,219,659	123,900,115
Unrealized gain (loss) on fair value of endowment investments	1,857,134	(11,650,703)
	143,076,793	112,249,412

b) Endowments

Following the agreements between the donors, 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:

	2019	2018
	\$	\$
Perpetuity	110,984,871	96,618,922
More than 5 years	19,502,859	16,795,437
From 1 year to 5 years	6,377,717	6,731,487
Less than 1 year	4,354,212	3,754,269
	141,219,659	123,900,115

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 funds. The realized investment income generated by these funds is used to issue annual grants to the organizations. Since inception of the program in 2001, the FGM received a cumulative amount of \$11,815,623 (\$9,169,035 as at December 31, 2018) in donations from the department of Canadian Heritage. The endowment that should be maintained by FGM for the 36 organizations part of this program is of \$23,631,246 (\$18,338,070 as at December 31, 2018).

8. Revenue

a) *Donations*

During the year, the FGM received donations of \$26,258,032 (\$33,707,456 in 2018). Donations for 2019 include an amount of \$45,397 (\$24,029 in 2018), regarding life insurance premiums paid for which the FGM is the beneficiary of the proceeds.

b) *Realized investment income*

	2019	2018
	\$	\$
Units of The Foundation of Greater Montreal Investment Fund	6,170,620	7,581,897
Other investments	847,575	756,305
	7,018,195	8,338,202

c) *Management fees*

	2019	2018
	\$	\$
The Foundation of Greater Montreal Investment Fund	1,423,645	1,300,455
Less: professional fees attributable to The Foundation of Greater Montreal	(793,464)	(679,053)
	630,181	621,402

d) *Administration fees*

	2019	2018
	\$	\$
The Foundation of Greater Montreal Investment Fund unitholders	1,598,336	1,453,070
Less: professional fees attributable to The Foundation of Greater Montreal	(1,060,281)	(919,671)
	538,055	533,399

9. Life insurance

The FGM has been assigned as the owner and beneficiary of life insurance policies. As at December 31, 2019, the amount of insurance in force totals \$3,100,000 (\$2,700,000 in 2018).

10. Financial instruments

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

Market risk

Market 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.

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.

12. Subsequent event

The global economic and financial market context changed a lot in early 2020. The spread of the COVID-19 virus, described as a pandemic by the World Health Organization (WHO) on March 11, 2020, has brought many governments to put in place exceptional measures to slow its progress. These events created considerable uncertainty for the global economy, the impact on the entities operations are still not measurable at the date of the financial statements. This situation has resulted in significant fluctuations in the financial markets which have caused the fair value of the investments to vary between the year-end date, December 31, 2019, and financial statement approval date, April 8, 2020.