

**Sir Mortimer B. Davis Jewish  
General Hospital Foundation**

**Financial Statements  
March 31, 2018**

# Sir Mortimer B. Davis Jewish General Hospital Foundation

**Financial Statements**  
**March 31, 2018**

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## Independent Auditor's Report

To the Directors of  
**Sir Mortimer B. Davis Jewish General Hospital Foundation**

We have audited the accompanying financial statements of Sir Mortimer B. Davis Jewish General Hospital Foundation which comprise the statement of financial position as at March 31, 2018 and the statements of revenues and expenditures, changes in fund balances and cash flows for the year ended March 31, 2018, 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

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Montréal, Toronto



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sir Mortimer B. Davis Jewish General Hospital Foundation as at March 31, 2018 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.

*Richter LLP*<sup>1</sup>

Montréal, Québec  
September 5, 2018

<sup>1</sup>CPA auditor, CA, public accountancy permit No. A118877

# Sir Mortimer B. Davis Jewish General Hospital Foundation

## Statement of Financial Position As at March 31, 2018

|  | General<br>Fund<br>\$ | Endowment<br>Fund<br>\$ | Capital<br>Campaign<br>Fund<br>\$ | Total<br>2018<br>\$ | Total<br>2017<br>\$ |
|--|-----------------------|-------------------------|-----------------------------------|---------------------|---------------------|
| <b>Assets</b>                                    |                       |                         |                                   |                     |                     |
| Cash   | 28,039,534            | -                       | -                                 | <b>28,039,534</b>   | 14,723,607          |
| Marketable securities, at quoted values (note 3) | 178,384,908           | -                       | -                                 | <b>178,384,908</b>  | 164,576,849         |
| Interest and sundry receivables                  | 1,062,663             | -                       | -                                 | <b>1,062,663</b>    | 1,062,906           |
| Interfund loans (note 4)                         | (152,395,775)         | 35,056,871              | 117,338,904                       | -                   | -                   |
| Pledges receivable                               | 3,035,114             | -                       | 57,924,483                        | <b>60,959,597</b>   | 70,351,600          |
| Property and equipment (note 5)                  | 8,842,966             | -                       | -                                 | <b>8,842,966</b>    | 9,014,975           |
|  | 66,969,410            | 35,056,871              | 175,263,387                       | <b>277,289,668</b>  | 259,729,937         |
| <b>Liabilities</b>                               |                       |                         |                                   |                     |                     |
| Accounts payable and accrued liabilities         | 479,060               | -                       | -                                 | <b>479,060</b>      | 198,556             |
| Due to Hospital (note 4)                         | 215,272               | -                       | -                                 | <b>215,272</b>      | 789,905             |
| Deferred pledges and contributions (note 7)      | 19,799,800            | -                       | 43,987,855                        | <b>63,787,655</b>   | 73,026,295          |
| Long-term debt (note 8)                          | 5,119,237             | -                       | -                                 | <b>5,119,237</b>    | 5,297,122           |
| Promissory note to Hospital (note 9)             | 3,130,918             | -                       | -                                 | <b>3,130,918</b>    | 1,841,716           |
|  | 28,744,287            | -                       | 43,987,855                        | <b>72,732,142</b>   | 81,153,594          |
| <b>Commitments and contingencies (note 9)</b>    |                       |                         |                                   |                     |                     |
| <b>Fund balances</b>                             |                       |                         |                                   |                     |                     |
| Internally restricted (note 10)                  | 38,225,123            | -                       | -                                 | <b>38,225,123</b>   | 32,306,071          |
| Restricted - capital campaign                    | -                     | -                       | 45,817,053                        | <b>45,817,053</b>   | 37,074,120          |
| Externally restricted as endowments              | -                     | 35,056,871              | 85,458,479                        | <b>120,515,350</b>  | 109,196,152         |
|  | 38,225,123            | 35,056,871              | 131,275,532                       | <b>204,557,526</b>  | 178,576,343         |
|  | 66,969,410            | 35,056,871              | 175,263,387                       | <b>277,289,668</b>  | 259,729,937         |

See accompanying notes

Approved by,

\_\_\_\_\_

\_\_\_\_\_

Date

\_\_\_\_\_

\_\_\_\_\_

Date

# Sir Mortimer B. Davis Jewish General Hospital Foundation

## Statement of Changes in Fund Balances For the Year Ended March 31, 2018

|                                    | <u>General Fund</u>            | <u>Endowment Fund</u> | <u>Capital Campaign Fund</u> |                   | <b>Total<br/>2018<br/>\$</b> |
|------------------------------------|--------------------------------|-----------------------|------------------------------|-------------------|------------------------------|
|                                    | Internally<br>restricted<br>\$ | Endowment<br>\$       | Restricted<br>\$             | Endowment<br>\$   |                              |
| <b>Balance - beginning of year</b> | 32,306,071                     | 32,904,139            | 37,074,120                   | 76,292,013        | <b>178,576,343</b>           |
| Excess of revenues over expenses   | 2,718,207                      | 2,138,680             | 12,018,668                   | 9,105,628         | <b>25,981,183</b>            |
| Interfund transfers                | 3,200,845                      | 14,052                | (3,275,735)                  | 60,838            | -                            |
| <b>Balance - end of year</b>       | <b>38,225,123</b>              | <b>35,056,871</b>     | <b>45,817,053</b>            | <b>85,458,479</b> | <b>204,557,526</b>           |

|                                    | <u>General Fund</u>            | <u>Endowment Fund</u> | <u>Capital Campaign Fund</u> |                   | <b>Total<br/>2017<br/>\$</b> |
|------------------------------------|--------------------------------|-----------------------|------------------------------|-------------------|------------------------------|
|                                    | Internally<br>restricted<br>\$ | Endowment<br>\$       | Restricted<br>\$             | Endowment<br>\$   |                              |
| <b>Balance - beginning of year</b> | 26,166,681                     | 30,482,881            | 37,949,248                   | 68,031,709        | 162,630,519                  |
| Excess of revenues over expenses   | 632,695                        | 2,420,843             | 4,662,831                    | 8,229,455         | 15,945,824                   |
| Interfund transfers                | 5,506,695                      | 415                   | (5,537,959)                  | 30,849            | -                            |
| <b>Balance - end of year</b>       | <b>32,306,071</b>              | <b>32,904,139</b>     | <b>37,074,120</b>            | <b>76,292,013</b> | <b>178,576,343</b>           |

See accompanying notes

# Sir Mortimer B. Davis Jewish General Hospital Foundation

## Statement of Revenues and Expenditures For the Year Ended March 31, 2018

|   | General<br>Fund<br>\$ | Endowment<br>Fund<br>\$ | Capital Campaign Fund |                   | Total<br>2018<br>\$ | Total<br>2017<br>\$ |
|---|-----------------------|-------------------------|-----------------------|-------------------|---------------------|---------------------|
|   |                       |                         | Restricted<br>\$      | Endowment<br>\$   |                     |                     |
| <b>Revenues</b>   |                       |                         |                       |                   |                     |                     |
| <b>Donations and fundraising (note 11)</b>  |                       |                         |                       |                   |                     |                     |
| Annual campaign and other donations   | 1,582,661             | 51,629                  | 24,875,484            | 4,229,415         | <b>30,739,189</b>   | 23,451,608          |
| Designated for Hospital   | 1,277,783             | -                       | -                     | -                 | <b>1,277,783</b>    | 1,245,432           |
| Fundraising events  | 9,296,763             | -                       | -                     | -                 | <b>9,296,763</b>    | 11,930,934          |
| Surcharge fee   | 4,725,179             | -                       | -                     | -                 | <b>4,725,179</b>    | 3,401,574           |
|   | 16,882,386            | 51,629                  | 24,875,484            | 4,229,415         | <b>46,038,914</b>   | 40,029,548          |
| Net transfers from deferred contributions to fundraising events (note 7)          | 926,636               | -                       | -                     | -                 | <b>926,636</b>      | 2,121,658           |
| <b>Total revenues from donations and fundraising</b>                              | <b>17,809,022</b>     | <b>51,629</b>           | <b>24,875,484</b>     | <b>4,229,415</b>  | <b>46,965,550</b>   | <b>42,151,206</b>   |
| <b>Other revenue</b>  |                       |                         |                       |                   |                     |                     |
| Usufruct income from Hospital   | 366,000               | -                       | -                     | -                 | <b>366,000</b>      | 366,000             |
| <b>Total revenues</b>   | <b>18,175,022</b>     | <b>51,629</b>           | <b>24,875,484</b>     | <b>4,229,415</b>  | <b>47,331,550</b>   | <b>42,517,206</b>   |
| <b>Expenses</b>   |                       |                         |                       |                   |                     |                     |
| Fundraising events  | 4,471,017             | -                       | -                     | -                 | <b>4,471,017</b>    | 6,856,003           |
| Campaign and sundry   | 1,199,937             | -                       | -                     | -                 | <b>1,199,937</b>    | 1,159,153           |
| Foundation administrative expenses  | 2,683,190             | -                       | 109,816               | -                 | <b>2,793,006</b>    | 2,458,065           |
| Investment management fees  | 54,099                | 44,793                  | -                     | 114,026           | <b>212,918</b>      | 148,593             |
| Interest on long-term debt  | 182,564               | -                       | -                     | -                 | <b>182,564</b>      | 188,673             |
| Amortization  | 226,794               | -                       | -                     | -                 | <b>226,794</b>      | 226,794             |
|   | 8,817,601             | 44,793                  | 109,816               | 114,026           | <b>9,086,236</b>    | 11,037,281          |
| <b>Excess of revenues over expenses before investment returns and allocations</b> | <b>9,357,421</b>      | <b>6,836</b>            | <b>24,765,668</b>     | <b>4,115,389</b>  | <b>38,245,314</b>   | <b>31,479,925</b>   |
| <b>Investment returns</b>   |                       |                         |                       |                   |                     |                     |
| Dividend, interest and gains on sale of marketable securities                     | 2,090,726             | 1,285,482               | -                     | 3,097,316         | <b>6,473,524</b>    | 5,514,126           |
| Change in fair value of marketable securities                                     | 2,066,306             | 1,607,023               | -                     | 4,529,216         | <b>8,202,545</b>    | 8,906,538           |
|   | 4,157,032             | 2,892,505               | -                     | 7,626,532         | <b>14,676,069</b>   | 14,420,664          |
| <b>Excess of revenues over expenses before allocations</b>                        | <b>13,514,453</b>     | <b>2,899,341</b>        | <b>24,765,668</b>     | <b>11,741,921</b> | <b>52,921,383</b>   | <b>45,900,589</b>   |

# Sir Mortimer B. Davis Jewish General Hospital Foundation

## Statement of Revenues and Expenditures For the Year Ended March 31, 2018

|  | General<br>Fund<br>\$ | Endowment<br>Fund<br>\$ | Capital Campaign Fund |                  | Total<br>2018<br>\$ | Total<br>2017<br>\$ |
|--|-----------------------|-------------------------|-----------------------|------------------|---------------------|---------------------|
|  |                       |                         | Restricted<br>\$      | Endowment<br>\$  |                     |                     |
| <b>Allocations to the Sir Mortimer<br/>B. Davis Jewish General<br/>Hospital and other<br/>establishments</b> |                       |                         |                       |                  |                     |                     |
| Research and academic<br>enhancement   | 3,853,294             | 291                     | 503,558               | 97,177           | <b>4,454,320</b>    | 5,757,345           |
| Capital projects and<br>equipment  | 2,129,693             | -                       | 7,034,782             | -                | <b>9,164,475</b>    | 6,672,462           |
| Designated for Hospital  | 2,761,906             | -                       | 4,054,251             | -                | <b>6,816,157</b>    | 10,706,817          |
| Endowment allocations  | -                     | 760,370                 | -                     | 2,201,616        | <b>2,961,986</b>    | 2,810,915           |
| Allocations to other<br>establishments   | 605,071               | -                       | 45,000                | 337,500          | <b>987,571</b>      | 654,005             |
| Allocation to Hospital for<br>building projects  | 157,081               | -                       | 1,109,409             | -                | <b>1,266,490</b>    | 1,511,505           |
| Allocation for research<br>projects  | 1,289,201             | -                       | -                     | -                | <b>1,289,201</b>    | 1,841,716           |
|  | <b>10,796,246</b>     | <b>760,661</b>          | <b>12,747,000</b>     | <b>2,636,293</b> | <b>26,940,200</b>   | <b>29,954,765</b>   |
| <b>Excess of revenues over<br/>expenses</b>  | <b>2,718,207</b>      | <b>2,138,680</b>        | <b>12,018,668</b>     | <b>9,105,628</b> | <b>25,981,183</b>   | <b>15,945,824</b>   |

See accompanying notes



# Sir Mortimer B. Davis Jewish General Hospital Foundation

## Statement of Cash Flows For the Year Ended March 31, 2018

|  | 2018<br>\$         | 2017<br>\$         |
|--|--------------------|--------------------|
| <b>Operating activities</b>                      |                    |                    |
| Excess of revenues over expenses                 | 25,981,183         | 15,945,824         |
| Amortization                                     | 226,794            | 226,794            |
| Allocation for research projects                 | 1,289,201          | 1,841,716          |
| Increase in fair value of marketable securities  | (8,202,545)        | (6,161,871)        |
| Decrease (increase) in -                         |                    |                    |
| Interest and sundry receivables                  | 243                | (180,795)          |
| Pledges receivable                               | 9,392,003          | (16,179,455)       |
| Due to Hospital                                  | (574,633)          | 712,148            |
| Increase (decrease) in -                         |                    |                    |
| Accounts payable and accrued liabilities         | 280,504            | (368,735)          |
| Deferred pledges and contributions               | (9,238,640)        | 18,893,319         |
|  | <b>19,154,110</b>  | <b>14,728,945</b>  |
| <b>Investing activities</b>                      |                    |                    |
| Proceeds on disposition of marketable securities | 55,856,033         | 93,792,658         |
| Purchase of marketable securities                | (61,461,546)       | (100,367,731)      |
| Additions to property and equipment              | (54,785)           | (274,050)          |
|  | <b>(5,660,298)</b> | <b>(6,849,123)</b> |
| <b>Financing activity</b>                        |                    |                    |
| Repayments of long-term debt                     | (177,885)          | (171,776)          |
| <b>Increase in cash</b>                          | <b>13,315,927</b>  | <b>7,708,046</b>   |
| <b>Cash - beginning of year</b>                  | <b>14,723,607</b>  | <b>7,015,561</b>   |
| <b>Cash - end of year</b>                        | <b>28,039,534</b>  | <b>14,723,607</b>  |

See accompanying notes

# Sir Mortimer B. Davis Jewish General Hospital Foundation

## Notes to Financial Statements March 31, 2018

### 1. Purpose of the Organization

The principal activity of the Foundation is to raise funds for research in the field of medicine and for the development of related health care activities for the Sir Mortimer B. Davis Jewish General Hospital. The Foundation is incorporated under the Canada Corporations Act as a not-for-profit organization and is a registered charity under the Income Tax Act.

### 2. Summary of significant accounting policies

The Foundation has elected to apply Canadian accounting standards for not-for-profit organizations (ASNFPFO) in Part III of the CPA Canada Handbook - Accounting.

The Foundation also applies Canadian standards for private enterprises to the extent that these standards address topics not addressed in Canadian accounting standards for not-for-profit organizations.

#### Fund accounting

The General Fund reports on revenues and expenses related to annual donations and fundraising activities which subsidizes research, teaching, medical technology and related expenditures.

Endowment contributions are reported in the Endowment Fund. Investment income earned on resources of the Endowment Fund is reported in the Endowment Fund or the General Fund depending on the nature of any restrictions imposed by contributors of these funds.

The Capital Campaign Fund reports on contributions which generally are pledged and subsequently paid over five years. Such contributions are being raised to enhance the capital of the Foundation or for specific projects of the Hospital.

#### Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions.

Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions of the General Fund are recognized as revenue in the year in which the related expenses are incurred and are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognized as revenue, when received, in the Endowment Fund.

# Sir Mortimer B. Davis Jewish General Hospital Foundation

## Notes to Financial Statements March 31, 2018

### 2. Summary of significant accounting policies (continued)

#### Revenue recognition (continued)

Capital campaign contributions from significant events are recorded when received or pledged. Such contributions are deferred and recognized as revenue in the year in which the related expenses are incurred.

Surcharge fees generally comprise a 10% administration charge and a 10% allocation to fund innovative projects of the Hospital and are recognized on all gifts and donations when received in the year.

#### 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 revenues and expenses during the reporting periods. Actual results could differ from those estimates.

#### Amortization

Amortization for the buildings is calculated on their respective estimated useful life using the straight-line method over a period of 20 - 35 years.

#### Long-lived asset

When a long-lived asset no longer has any long-term service potential to the Foundation, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of revenues and expenditures. A write-down should not be subsequently reversed.

#### Derivative financial instruments

The Foundation has limited involvement with derivative financial instruments which are utilized to reduce the risks associated with changes in foreign currency exchange rates. The Foundation does not hold financial instruments for trading purposes. The Foundation does not qualify for hedge accounting and therefore is measuring its foreign currency exchange contracts at fair value.

# Sir Mortimer B. Davis Jewish General Hospital Foundation

## Notes to Financial Statements March 31, 2018

### 2. Summary of significant accounting policies (continued)

#### Foreign currency translation

Accounts in foreign currency have been translated into Canadian dollars as follows:

- Monetary items - at exchange rates in effect at the balance sheet date;
- Non-monetary items - at exchange rates in effect on the dates of the transactions; and
- Revenue and expenses - at average exchange rates prevailing during the year.

Gains and losses arising from foreign currency translation are included in excess of revenues over expenses and allocations.

#### Financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. In addition, the Foundation has elected to designate all fixed income securities to be measured at fair value. Changes in fair value are recognized in the statement of revenues and expenditures.

Financial assets measured at amortized cost include cash, interest and sundry receivables and pledges receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, due to Hospital, long-term debt and promissory note to Hospital.

The Foundation's financial assets measured at fair value include marketable securities.

#### Impairment

Financial assets measured at cost are tested for impairment when there are indicators of possible impairment. The Foundation determines whether a significant adverse change has occurred in the expected timing or amount of future cash flows from the financial asset. If this is the case, the carrying amount of the asset is reduced directly to the higher of the present value of the cash flows expected to be generated by holding the asset, and the amount that could be realized by selling the asset at the balance sheet date. The amount of the write-down is recognized in the statement of revenues and expenditures. Any previously recognized impairment loss may be reversed to the extent of the improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of revenues and expenditures.

# Sir Mortimer B. Davis Jewish General Hospital Foundation

## Notes to Financial Statements March 31, 2018

### 2. Summary of significant accounting policies (continued)

#### Transaction costs

The Foundation recognizes its transaction costs in the statement of revenues and expenditures in the period incurred. However, transaction costs related to financial instruments subsequently measured at amortized cost reduce the carrying amount of the financial asset or liability and are accounted for in the statement of revenues and expenditures using the straight-line method.

### 3. Marketable securities

|                         | 2018<br>\$         | 2017<br>\$  |
|-------------------------|--------------------|-------------|
| Equities                | 131,364,044        | 129,845,758 |
| Fixed income securities | 47,020,864         | 34,731,091  |
|                         | <b>178,384,908</b> | 164,576,849 |

Marketable securities are carried in the accounts at their quoted values and any change in fair value is recorded in the statement of revenues and expenditures.

Included in marketable securities is the fair value of the derivative financial instruments (note 9).

### 4. Interfund loans and due to Hospital

Interfund loans and amounts due to Hospital are non-interest bearing and have no specific terms of repayment.

### 5. Property and equipment

|           | Cost<br>\$ | Accumulated<br>amortization<br>\$ | 2018<br>Net carrying<br>amount<br>\$ | 2017<br>Net carrying<br>amount<br>\$ |
|-----------|------------|-----------------------------------|--------------------------------------|--------------------------------------|
| Land      | 3,302,487  | -                                 | 3,302,487                            | 3,302,487                            |
| Buildings | 7,288,156  | 1,747,678                         | 5,540,478                            | 5,712,488                            |
|           | 10,590,643 | 1,747,678                         | 8,842,965                            | 9,014,975                            |

### 6. Credit facility

The Foundation's credit facility provides for a \$5,000,000 line of credit with borrowings thereunder bearing interest at bank prime rate per annum. As at March 31, 2018, there was no bank indebtedness outstanding (2017 - \$Nil).

# Sir Mortimer B. Davis Jewish General Hospital Foundation

## Notes to Financial Statements March 31, 2018

### 7. Deferred pledges and contributions

|  | Deferred<br>pledges<br>\$ | Deferred<br>contributions<br>\$ | 2018<br>Total<br>\$ | 2017<br>Total<br>\$ |
|--|---------------------------|---------------------------------|---------------------|---------------------|
| <b>Balance - beginning of year</b>                   | 55,812,240                | 17,214,055                      | <b>73,026,295</b>   | 54,132,976          |
| Recognized this year                                 | (30,311,512)              | (4,621,510)                     | <b>(34,933,022)</b> | (26,545,420)        |
| Amounts received or receivable for<br>future periods | 21,522,208                | 4,172,174                       | <b>25,694,382</b>   | 45,438,739          |
| <b>Balance - end of year</b>                         | <b>47,022,936</b>         | <b>16,764,719</b>               | <b>63,787,655</b>   | 73,026,295          |

The net transfers from deferred contributions to fundraising events consists of the following:

|  | 2018<br>\$         | 2017<br>\$  |
|--|--------------------|-------------|
| Transfers from deferred contributions to fundraising events relating<br>to expenditures incurred in the year | <b>4,621,510</b>   | 4,968,936   |
| Transfers to deferred contributions from fundraising<br>events in the current year                           | <b>(3,694,874)</b> | (2,847,278) |
|  | <b>926,636</b>     | 2,121,658   |

### 8. Long-term debt

|  | 2018<br>\$       | 2017<br>\$ |
|--|------------------|------------|
| Long-term debt, bearing interest at 3.50% per annum, repayable in<br>monthly instalments of \$30,037 including capital and interest,<br>maturing on November 2022, and secured by certain marketable<br>securities of the Foundation | <b>5,119,237</b> | 5,297,122  |

The terms of the long-term debt agreement require the Foundation to comply with a financial covenant. As at March 31, 2018, the Foundation was in compliance with this debt covenant.

Principal repayments are due approximately as follows:

|            | \$               |
|------------|------------------|
| 2019       | <b>184,000</b>   |
| 2020       | <b>191,000</b>   |
| 2021       | <b>198,000</b>   |
| 2022       | <b>205,000</b>   |
| Thereafter | <b>4,342,000</b> |

# Sir Mortimer B. Davis Jewish General Hospital Foundation

## Notes to Financial Statements March 31, 2018

### 9. Commitments and contingencies

#### Investment purchase commitments

The Foundation has entered into agreements to purchase various equity investments for a total commitment of approximately \$81,700,000 of which approximately \$67,400,000 has been purchased as at March 31, 2018.

#### Pavillion K project of Sir Mortimer B. Davis Jewish General Hospital

As part of the financing for the construction of the Hospital's Pavillion K, the Foundation agreed to be responsible for certain costs of the construction project and certain cost overruns. To date, the Foundation has paid \$10,558,100 in this regard. The respective managements of the Hospital and the Foundation concur that the Foundation's entire obligation has been fulfilled in this regard.

In addition, the Foundation has guaranteed the debt service with respect to the loan which funds the construction costs of the parking structure related to the Hospital's Pavillion K project. The balance of the debt related to the parking structure amounted to approximately \$20.8 million as at March 31, 2018 and is bearing 4.31% interest on an annual basis. The loan is repayable over 25 years and matures in 2038, and it is intended that the debt service of the loan and operating costs of the parking structure will be funded from the parking revenue. Should such revenue not be sufficient, the Foundation will be liable, on an annual basis, to fund the shortfall. To date, there has been no annual shortfall and no funding has been provided by the Foundation in this regard.

#### Promissory note - Sir Mortimer B. Davis Jewish General Hospital

In 2017, the Foundation made a commitment to provide approximately \$5,500,000 to the Sir Mortimer B. Davis Jewish General Hospital to fund past research and programs at the Hospital, over a three year period, from fiscal 2017 to fiscal 2019 inclusive. As at March 31, 2018, approximately \$3,700,000 has been allocated and approximately \$1,800,000 remains to be allocated during fiscal 2019.

The Centre intégré universitaire de santé et de services sociaux de Centre-Ouest-de-l'Île-de-Montréal, on behalf of the Sir Mortimer B. Davis Jewish General Hospital, made a commitment to reimburse the Foundation approximately \$550,000 per year over ten years, beginning in fiscal 2018.

In fiscal 2018, the Foundation recorded approximately \$550,000 from the Centre intégré universitaire de santé et de services sociaux de Centre-Ouest-de-l'Île-de-Montréal, on behalf of the Sir Mortimer B. Davis Jewish General Hospital and approximately \$4,950,000 remains to be paid equally over the next nine years.

# Sir Mortimer B. Davis Jewish General Hospital Foundation

## Notes to Financial Statements March 31, 2018

### 9. Commitments and contingencies (continued)

#### Sir Mortimer B. Davis Jewish General Hospital

The Foundation has made a commitment to provide approximately \$3,100,000, in fiscal 2019, of funding to the Sir Mortimer B. Davis Jewish General Hospital to be applied towards supplementary activities ("activités accessoires").

#### Rosy Cancer Network

The Foundation has made a commitment to the Rosy Cancer Network for an amount of \$7,200,000 in 2014 to establish a cancer network and improve the identification of cancer indicators and quality of cancer care.

The remaining committed payments are due as follows:

|            | \$        |
|------------|-----------|
| 2019       | 545,000   |
| 2020       | 545,000   |
| 2021       | 545,000   |
| 2022       | 545,000   |
| Thereafter | 2,811,000 |

#### Foreign exchange contracts

As at March 31, 2018, the Foundation has a contractual obligation through forward exchange contracts to sell a fixed amount of U.S.\$50,700,000 for CDN\$62,419,812 maturing on June 7, 2018. As explained in note 2, the Foundation accounts for these financial instruments as non-hedging derivative financial instruments. The Foundation's derivatives dealer established the forward exchange contracts' fair value at a loss of approximately \$2,815,000.

### 10. Internally restricted net assets

As at March 31, 2018, the Foundation's board of directors has internally restricted capital of \$38,225,123 in aggregate which consists of \$35,290,940 of the General Fund which consists of estates, bequests and other capital amounts and the remaining internally restricted capital of the General Fund Capital of \$2,934,183 relates to property and equipment less related debt.



# Sir Mortimer B. Davis Jewish General Hospital Foundation

## Notes to Financial Statements March 31, 2018

### 11. Donations

Donations, excluding fundraising and events, recorded during the years ended March 31, 2018 and 2017 were from the following categories of donors:

|  | 2018              | 2017       |
|--|-------------------|------------|
|  | \$                | \$         |
| Foundations and not-for-profit organizations | <b>13,192,221</b> | 10,770,822 |
| Individuals                                  | <b>17,977,432</b> | 13,602,629 |
| Corporations                                 | <b>5,572,498</b>  | 3,725,163  |
|  | <b>36,742,151</b> | 28,098,614 |

### 12. Financial instruments

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at the financial position date.

#### 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.

Some assets are exposed to foreign exchange fluctuations. As at March 31, 2018, assets in foreign exchange are the following:

|                                | 2018                |                     | 2017                |                     |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                | Canadian<br>dollars | Foreign<br>currency | Canadian<br>dollars | Foreign<br>currency |
|                                | \$                  |                     | \$                  |                     |
| Cash (\$U.S.)                  | <b>229,000</b>      | <b>177,000</b>      | 206,000             | 155,000             |
| Marketable securities (\$U.S.) | <b>129,716,000</b>  | <b>100,602,000</b>  | 123,219,000         | 92,653,000          |
| Marketable securities (Euro)   | <b>725,000</b>      | <b>457,000</b>      | 1,042,000           | 731,000             |

The Foundation's activities involve investments denominated in foreign currencies. These activities result in exposure to fluctuations in foreign currency rates. The Foundation enters into foreign exchange contracts to mitigate the risk.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Foundation is exposed to reductions in interest rates, which could adversely impact expected returns from the Foundation's reinvestment of funds in marketable securities upon maturity of such instruments. The Foundation is also exposed to interest rate price risk with respect to its long-term debt which bears a fixed rate of interest.

# Sir Mortimer B. Davis Jewish General Hospital Foundation

## Notes to Financial Statements March 31, 2018

### 12. Financial instruments (continued)

#### 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 only with respect to uncertainty as to timing and amount of collectibility of sundry receivables and pledges receivable. Historically, the Foundation collects virtually all of its pledges receivable.

#### Market risk

Market risk, which includes 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. The Foundation's investments in publicly traded securities expose the Foundation to market risk as such investments are subject to price changes in the open market. The Foundation mitigates the risk by regularly rebalancing its portfolio to ensure proper diversification.

#### Price risk

The Foundation is exposed to securities price risk because of investments held by the Foundation. To manage its price risk arising from investments in securities, the Foundation diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Foundation.

#### Liquidity risk

Liquidity risk is the risk that the Foundation will have difficulty in meeting obligations associated with financial liabilities. Prudent management of liquidity risk implies retaining a sufficient level of liquidity and arranging for appropriate credit facilities and being able to liquidate market positions. The Foundation believes that its recurring financial resources are adequate to cover all its expenditures.

### 13. Comparatives figures

Certain reclassifications of 2017 amounts have been made to facilitate comparison with the current year.

### 14. Subsequent events

Subsequent to year-end, the Foundation sold property with a net book value of approximately \$7,104,000 for cash proceeds of approximately \$7,796,000 resulting in a gain of approximately \$692,000. Consequently, the long-term debt was fully repaid.