
Financial statements of
The Montreal Children's Hospital
Foundation

March 31, 2022

Independent Auditor’s Report.....	1-2
Statement of operations and changes in fund balances.....	3
Statement of financial position	4
Statement of cash flows	5
Notes to the financial statements.....	6-14

Independent Auditor's Report

To the Members of
The Montreal Children's Hospital Foundation

Opinion

We have audited the financial statements of The Montreal Children's Hospital Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2022, 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 March 31, 2022, 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 control.
- 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*¹

June 22, 2022

¹ CPA auditor, public accountancy permit No. A120628

The Montreal Children's Hospital Foundation
Statement of operations and changes in fund balances
Year ended March 31, 2022

	Notes	2022				2021			
		Operating Fund	Special Fund	Endowment Fund	Total	Operating Fund	Special Fund	Endowment Fund	Total
		\$	\$	\$	\$	\$	\$	\$	\$
Revenue									
Donations		9,991,621	23,295,381	2,179,836	35,466,838	8,714,611	13,624,248	1,810,056	24,148,915
Interest, dividends and mutual fund distributions – net	4	2,781,501	4,206,971	—	6,988,472	1,218,015	1,877,535	—	3,095,550
Government subsidy	2	245,033	—	—	245,033	928,596	—	—	928,596
		13,018,155	27,502,352	2,179,836	42,700,343	10,861,222	15,501,783	1,810,056	28,173,061
Expenses									
Salaries and benefits		4,041,969	—	—	4,041,969	3,702,667	—	—	3,702,667
Direct fundraising costs		642,532	183,345	—	825,877	527,646	149,186	—	676,832
Publicity and donor recognition		613,671	—	—	613,671	715,424	—	—	715,424
General and administrative		472,324	—	—	472,324	445,711	—	—	445,711
Professional and consulting		508,237	—	—	508,237	534,202	—	—	534,202
Rent		318,587	—	—	318,587	326,439	—	—	326,439
Amortization of capital assets		76,219	24,331	—	100,550	87,503	2,734	—	90,237
		6,673,539	207,676	—	6,881,215	6,339,592	151,920	—	6,491,512
Excess of revenue over expenses before other elements		6,344,616	27,294,676	2,179,836	35,819,128	4,521,630	15,349,863	1,810,056	21,681,549
Contributions	5	1,723,579	18,146,626	—	19,870,205	2,146,123	15,637,061	—	17,783,184
Excess (deficiency) of revenue over expenses before change in fair value of investments		4,621,037	9,148,050	2,179,836	15,948,923	2,375,507	(287,198)	1,810,056	3,898,365
Change in fair value of investments	4	(489,006)	(910,335)	—	(1,399,341)	7,140,223	11,396,986	—	18,537,209
Excess of revenue over expenses		4,132,031	8,237,715	2,179,836	14,549,582	9,515,730	11,109,788	1,810,056	22,435,574
Fund balances, beginning of year		16,467,265	66,287,461	59,407,022	142,161,748	7,383,520	54,461,487	57,881,167	119,726,174
Interfund transfers	6	(199,787)	(23,893)	223,680	—	(431,985)	716,186	(284,201)	—
Fund balances, end of year		20,399,509	74,501,283	61,810,538	156,711,330	16,467,265	66,287,461	59,407,022	142,161,748

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

The Montreal Children's Hospital Foundation
Statement of financial position
As at March 31, 2022

		2022				2021			
Notes	Operating Fund	Special Fund	Endowment Fund	Total	Operating Fund	Special Fund	Endowment Fund	Total	
	\$	\$	\$	\$	\$	\$	\$	\$	
Assets									
	38,553,612	24,494	560,001	39,138,107	26,101,199	24,406	502,225	26,627,830	
Cash									
Restricted cash	7	7,565,738	—	7,565,738	—	5,495,093	—	5,495,093	
Receivables		—	—	234,285	498,185	9,510	—	507,695	
Receivable by Special Fund		54,687,081*	—	—	—	42,702,341*	—	—	
Prepaid expenses		108,168	132,500	240,668	148,822	182,500	—	331,322	
Investments	9	1,320,939	15,261,965	97,323,831	1,348,211	19,582,725	91,440,068	112,371,004	
Capital assets	10	856,075	6,834	862,909	508,910	9,567	—	518,477	
		41,073,079	77,678,612	97,883,832	161,948,442	28,605,327	68,006,142	91,942,293	145,851,421
Liabilities									
Accounts payable and accrued liabilities		877,546	1,878,304	—	2,755,850	496,766	524,578	—	1,021,344
Contributions payable – Montreal Children's Hospital		694,924	1,299,025	—	1,993,949	1,320,817	1,194,103	—	2,514,920
Deferred revenue	3(iii)	487,313	—	—	487,313	153,409	—	—	153,409
Due to Special Fund		18,613,787*	—	36,073,294*	—	10,167,070*	—	32,535,271*	—
		20,673,570	3,177,329	36,073,294	5,237,112	12,138,062	1,718,681	32,535,271	3,689,673
Commitments	12								
Fund balances									
Invested in capital assets		856,075	6,834	—	862,909	508,910	9,567	—	518,477
Externally restricted	11	—	74,494,449	51,259,136	125,753,585	—	66,277,894	48,855,620	115,133,514
Internally restricted	12	4,500,000	—	10,551,402	15,051,402	4,500,000	—	10,551,402	15,051,402
Unrestricted surplus		15,043,434	—	—	15,043,434	11,458,355	—	—	11,458,355
		20,399,509	74,501,283	61,810,538	156,711,330	16,467,265	66,287,461	59,407,022	142,161,748
		41,073,079	77,678,612	97,883,832	161,948,442	28,605,327	68,006,142	91,942,293	145,851,421

* These items are not included in the total column since they offset each other.

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

Approved by the Board of Directors

_____, Director

_____, Director

The Montreal Children's Hospital Foundation

Statement of cash flows

Year ended March 31, 2022

	2022	2021
	\$	\$
Operating activities		
Excess of revenue over expenses	14,549,582	22,435,574
Adjustments for:		
Change in fair value of investments	1,399,341	(18,537,209)
Amortization of capital assets	100,550	90,237
	16,049,473	3,988,602
Net changes in non-cash operating working capital items		
Receivables	273,410	(134,699)
Prepaid expenses	90,654	13,020
Accounts payable and accrued liabilities	1,734,506	(1,186,562)
Contributions payable – Montreal Children's Hospital	(520,971)	(220,963)
Deferred revenue	333,904	(56,382)
	1,911,503	(1,585,586)
	17,960,974	2,403,016
Financing activities		
Net change in restricted cash	(2,070,645)	(1,274,035)
Net change in investments	(2,935,072)	975,376
Acquisition of capital assets	(444,982)	(360,851)
	(5,450,699)	(659,510)
Net increase in cash	12,510,277	1,743,506
Cash, beginning of year	26,627,830	24,884,324
Cash, end of year	39,138,107	26,627,830

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

The Montreal Children's Hospital Foundation

Notes to the financial statements

March 31, 2022

1. Purpose of the Foundation

The Montreal Children's Hospital Foundation (the "Foundation") is devoted to raising funds for health care, research and teaching activities for children and pregnant women primarily for the benefit of the McGill University Health Centre (the "Montreal Children's Hospital") and qualified donees. The Foundation is a not-for-profit organization incorporated in 1973 under the laws of the Province of Québec and is recognized as a registered charity under the *Income Tax Act*.

2. COVID-19

The public measures put in place to combat the spread of COVID-19 have had a significant impact on the Foundation's operations and financial results. In regard to the year ended March 31, 2022:

- Fundraising involving gatherings of participants had to be scaled down, postponed or carried out virtually;
- The Foundation's offices were intermittently closed to the public and workflows were supported through remote working;
- The Foundation benefited from a total amount of \$245,033 from the Canada Emergency Wage Subsidy program (CEWS) and the Canada Emergency Rent Subsidy (CERS).

3. Accounting policies

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

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

Effective April 1, 2021, the Foundation 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.

These amendments to Chapter 3856 provide guidance on the evaluation of a financial instrument resulting from a related party transaction. These amendments require that such a financial instrument be initially valued at cost. This cost depends on whether or not the instrument has repayment terms. Where the financial instrument has repayment terms, the cost is determined by means of its undiscounted cash flows, excluding interest and dividend payments, net of impairment losses. Otherwise, the cost is determined based on the consideration transferred or received by the Foundation. The subsequent assessment depends on the method used initially and will generally be the cost, decreased to take into account the depreciation, or fair value.

The adoption of these amendments had no significant impact on the disclosures or on the amounts recorded in the financial statements of the Foundation during the considered period.

Fund accounting

The Foundation follows the restricted fund method of accounting:

i) Operating Fund

The Foundation's general fundraising and administrative activities are presented in the Operating Fund.

The Montreal Children's Hospital Foundation

Notes to the financial statements

March 31, 2022

3. Accounting policies (continued)

Fund accounting (continued)

ii) Special Fund

The Special Fund represents externally restricted donations (Note 11), other than endowments.

iii) Endowment Fund

The Endowment Fund includes accumulated donations subject to restrictions imposed by donors which may specify that the capital be maintained in perpetuity, as well as interfund transfers from the Operating Fund authorized by the Board of Directors and which cannot be used without the prior consent of the Board of Directors.

Revenue recognition

i) Restricted donations

Restricted donations related to general operations are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other restricted donations are recognized as revenue of the Special Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment donations are recognized as revenue in the Endowment Fund.

ii) Unrestricted donations

Unrestricted donations are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

iii) Deferred revenue

Revenues related to fundraising events that take place after year-end are deferred and reported in the statement of operations and changes in fund balances in following years.

iv) Investment income

Investment income is recognized when earned. Investment income on Endowment Fund resources that must be spent on donors restricted activities is recognized in the Special Fund. Unrestricted investment income on Endowment Fund resources is recognized in the Operating Fund.

v) Contributed services

In the course of its activities, the Foundation uses the services of volunteers. Due to the difficulty in determining their respective fair value, these contributed services are not recognized in these financial statements.

vi) Gifts in kind

Gifts in kind are recorded at fair value.

Contributions

Contributions are recorded in the statement of operations and changes in fund balances in the year in which they are paid or become payable.

3. Accounting policies (continued)

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 Foundation 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 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 Foundation in the transaction.

Subsequent measurement

All financial instruments are subsequently measured at amortized cost, except for investments that are recognized at fair value at the date of the financial statements. Fair value fluctuations, which include interest earned, accrued interests, realized gain and loss and unrealized gain and loss, are included in the investment revenue.

Transaction costs

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the 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 in the statement of operations and changes in fund balances as investment income.

Depreciation

With respect to financial assets measured at cost or amortized cost, the Foundation recognizes in the statement of operations and changes in fund balances 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 decrease 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 statement of operations and changes in fund balances in the period the reversal occurs.

Receivable by/due to Special Fund

These amounts bear no interest and have no specific terms of repayment.

Capital assets

Capital assets are recorded at cost and amortized over their useful life using the straight-line method of 5 years except for computer equipment which is over 3 years.

Construction in progress is comprised of development costs for the Foundation's new offices.

The Montreal Children's Hospital Foundation

Notes to the financial statements

March 31, 2022

3. Accounting policies (continued)

Write-down of capital assets

Where circumstances indicate that a capital asset has been depreciated, its net book value must be reduced to fair value or the cost of replacing the asset. Capital value reductions must be recorded as expenses in the statement of operations and changes in fund balances. A reduction in value should not be taken back.

Foreign currency translation

Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date and non-monetary assets and liabilities are translated at historical rates. Revenue and expenses are translated at average rates prevailing during the year. Translation gains and losses are reflected in the statement of operations and changes in fund balances.

Use of estimates

The preparation of these financial statements, in conformity with Canadian accounting standards for not-for-profit organizations, require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 those estimates.

4. Investment income – net

Investment income, net of management and custodian fees, is detailed as follows:

	2022	2021
	\$	\$
Interest, dividends and mutual fund distributions	7,366,913	3,422,784
Management and custodian fees	(378,441)	(327,234)
Interest, dividends and mutual fund distributions – net	6,988,472	3,095,550
Net gain (loss) on disposal of investments	5,349,584	(1,929,793)
Change in unrealized fair value of investments	(6,748,925)	20,467,002
	(1,399,341)	18,537,209
	5,589,131	21,632,759

Net investment income is recorded as follows:

	2022	2021
	\$	\$
Operating Fund*		
Resources held by the Endowment Fund	2,131,327	8,131,247
Resources held by the Operating Fund	161,168	226,991
	2,292,495	8,358,238
Special Fund**		
Resources held by the Endowment Fund	3,396,822	13,080,645
Resources held by the Special Fund	(100,186)	193,876
	3,296,636	13,274,521
	5,589,131	21,632,759

The Montreal Children's Hospital Foundation

Notes to the financial statements

March 31, 2022

4. Investment income – net (continued)

* Net investment income of the Operating Fund derived from resources held as endowments:

	2022	2021
	\$	\$
Interest, dividends and mutual fund distributions	2,657,368	1,071,456
Management and custodian fees	(137,582)	(114,152)
Net gain (loss) on disposal of investments	2,066,170	(738,494)
Change in unrealized fair value of investments	(2,454,629)	7,912,437
	2,131,327	8,131,247

Net investment income of the Operating Fund derived from resources held by the Operating Fund:

	2022	2021
	\$	\$
Interest, dividends and mutual fund distributions	274,931	274,773
Management and custodian fees	(13,216)	(14,061)
Net gain (loss) on disposal of investments	1,753	(689)
Change in unrealized fair value of investments	(102,300)	(33,032)
	161,168	226,991

** Net investment income of the Special Fund derived from resources held as endowments:

	2022	2021
	\$	\$
Interest, dividends and mutual fund distributions	4,211,229	1,723,155
Management and custodian fees	(218,032)	(179,939)
Net gain (loss) on disposal of investments	3,274,336	(1,187,675)
Change in unrealized fair value of investments	(3,870,711)	12,725,104
	3,396,822	13,080,645

Net investment income of the Special Fund derived from resources held by the Special Fund:

	2022	2021
	\$	\$
Interest, dividends and mutual fund distributions	223,385	353,400
Management and custodian fees	(9,611)	(19,082)
Net gain (loss) on disposal of investments	7,325	(2,935)
Change in unrealized fair value of investments	(321,285)	(137,507)
	(100,186)	193,876

The Montreal Children's Hospital Foundation

Notes to the financial statements

March 31, 2022

5. Contributions

	2022	2021
	\$	\$
Montreal Children's Hospital	11,866,607	11,998,400
The Research Institute of the McGill University Health Centre	5,511,912	4,060,662
McGill University – pediatric mission	1,406,693	1,177,731
Other	1,084,993	546,391
	19,870,205	17,783,184

6. Interfund transfers

Interfund transfers are executed in accordance with donor instructions or with Board of Directors' approval.

7. Restricted cash

The use of restricted cash is subject to approval by Opération Enfant Soleil.

Under a fund management agreement effective July 1, 2017, these amounts can be paid to the Montreal Children's Hospital only when Opération Enfant Soleil confirms that the conditions for the projects associated with these payments are met. In addition, interest generated by restricted cash (and investments, if applicable) are the property of Opération Enfant Soleil. Consequently, interest earned of \$30,300 for the year ended March 31, 2022 (\$37,021 in 2021), is not recorded in these financial statements.

8. Donation pledges

The Foundation has received donation pledges in the amount of \$38,822,000: \$36,314,000 in support of specific projects, \$641,000 for endowments and \$1,867,000 for operating funds. These pledges are supported by written documentation and are to be received in the forthcoming years as follows:

	2023	2024	2025	2026	2027 and thereafter	Total
	\$	\$	\$	\$	\$	\$
Special Fund	11,885,000	7,543,000	6,210,000	4,096,000	6,580,000	36,314,000
Endowment Fund	586,000	25,000	15,000	—	15,000	641,000
Operating Fund	620,000	438,000	448,000	196,000	165,000	1,867,000
	13,091,000	8,006,000	6,673,000	4,292,000	6,760,000	38,822,000

These figures do not include verbal pledges.

These donation pledges will be recorded as revenue when collected.

The Montreal Children's Hospital Foundation
Notes to the financial statements
 March 31, 2022

9. Investments

	2022		2021	
	\$	%	\$	%
Cash, money market funds and treasury bills	7,639,915	7	7,613,479	7
Fixed income and fixed income funds	23,311,225	21	34,725,867	31
Canadian equities funds	25,421,468	22	21,897,331	19
International equities funds	57,534,127	50	48,134,327	43
	113,906,735	100	112,371,004	100

10. Capital assets

	2022			2021
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Construction in progress	340,606	—	340,606	125,493
Furniture and equipment	827,165	336,535	490,630	324,071
Network	94,369	70,632	23,737	35,406
Leasehold improvements	102,392	102,392	—	—
	1,364,532	509,559	854,973	484,970
Website	176,354	168,418	7,936	33,507
	1,540,886	677,977	862,909	518,477

11. Special Fund – externally restricted

The Special Fund includes the following externally restricted donations:

	2022	2021
	\$	\$
Capital Campaign Fund	263,544	279,694
Best Care for Children Fund	13,002,139	17,472,660
Other external restrictions	61,228,766	48,525,540
	74,494,449	66,277,894

The Montreal Children's Hospital Foundation

Notes to the financial statements

March 31, 2022

12. Commitments

- i) Pursuant to various operating leases and renewal options that expire through April 2026, the Foundation has lease commitments relating to its own premises and MUHC activities that require the following annual payments:

	\$
2023	351,872
2024	277,980
2025	191,802
2026	138,821
2027	5,387
	<u>965,862</u>

- ii) Under a signed agreement between the McGill University Health Centre and the ministère de la Santé et des Services sociaux in respect of the Glen site, the Foundation's share of this undertaking amounted to a total of \$42,200,000 payable over 10 years. The balance payable of \$12,660,000 requires the following annual payments:

	\$
2023	4,220,000
2024	4,220,000
2025	4,220,000
	<u>12,660,000</u>

- iii) The Foundation has signed an Offer to Purchase in relation to offices and temporary accommodations for families of patients of the Montreal Children's Hospital. An amount of \$1,855,848 is payable to Résidence Liz Inc. once work is completed. The structure will be built over the next two years for a total estimated cost of \$4.5M. The Board has internally restricted \$4.5M of the Operating Fund for this investment.

13. Financial instruments

Investment policy

Investments must be managed in adherence to the principles of consistency and continuity. The principle of conservatism predominates when the investment committee and advisers are engaged in decision-making and applying strategies.

The objective is to optimize the return on the investments while considering the risk that the Foundation is prepared to assume along with its specific constraints as set out in the investment policy. Risk stems from the uncertainty inherent to several factors (loss in value of specific investments, decrease in fair value caused by financial market fluctuations, etc.), the combined actions of which could have consequences on the Foundation's ability to meet its commitments.

Return is optimized through a suitable combination of financial assets, diversification and sufficient latitude to use investment vehicles with higher return potential depending on the periods.

13. Financial instruments (continued)

The Foundation is exposed to the following risks due to its investments:

Market risk

Market risk is the risk that the fair value or future cash flows of the Foundation's financial instruments will fluctuate due to changes in market prices. Market risk includes currency risk, interest rate risk and other price risk. The Foundation is exposed to some of these risks, as described in the following paragraphs.

a) Currency risk

The Foundation holds pooled funds that hold investments in foreign currencies and related income and is therefore exposed to currency fluctuations.

b) Interest rate risk

The investments include bonds and pooled funds that hold bonds bearing fixed interest rates. Consequently, a change in the market interest rate would have an impact on the fair value of these investments.

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 variations are caused by factors specific to the instrument in question or its issuer, or by factors affecting all similar financial instruments traded on the market. The Foundation is exposed to other price risk through its investments in list shares and pooled funds for which the value fluctuates with the quoted market price.

Credit risk

The Foundation's investments include bonds and pooled funds that hold bonds. As a result, there is a credit risk that the bond issuer will be unable to pay its obligations, which will have an impact on the assets of the Foundation.

14. Related party transactions

Transactions with the Montreal Children's Hospital, as well as the assets and liabilities relating to this related party, are presented separately in these financial statements or in the notes to these financial statements.

These transactions are within the normal course of operations and are measured at their exchange amounts.