

TOWARDS A PROMISING
FUTURE

2012
Annual
Report



Foundation of
Greater Montreal

The greening of the **FGM**



This annual report constitutes the first modest step towards the adoption by the Foundation of Greater Montreal (FGM) of a greening strategy driven by ecological and economic considerations. Thus, the FGM intends to materially contribute to a sustainable environment while reducing operating costs. In this perspective, this report is being reduced in volume from 84 pages in 2011 to 56 pages in 2012, while its pressrun will decrease to 500 copies from 800 in 2011. The report's postal distribution will also be substantially reduced. Finally, documents such as listings of funds and grants will remain available to our various publics through our website or by mail, on request.



The **heart** of Montréal's philanthropy

The FGM is a charitable organization dedicated to the well-being of the Greater Montréal community.

To that end, it establishes and manages endowment funds and distributes their income in the form of grants to local charitable organizations working in the areas of health, social development, arts and culture, education, and the environment.



COMMUNITY
FOUNDATIONS
OF CANADA
all for community.

The FGM is a member of *Community Foundations of Canada* (CFC), an organization numbering 180 members that reach thousands of cities and towns across Canada, and whose collective assets total more than \$3 billion. The oldest Canadian community foundation was established in Winnipeg in 1921 while Montréal's became the country's 109th in 1999.

Today, some 1,400 community foundations across the world share their skills and information in the pursuit of their missions.

**FOR MORE
INFORMATION:**

Foundation of Greater Montreal

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info@fgmtl.org
www.fgmtl.org

Charitable organization registration number: 88197 9124 RR 0001

A year of consolidation



The year 2012 saw the Foundation reach a solidly grounded maturity and increase its **growth to the tune of 29 new funds.**

The FGM also distributed close to \$1,200,000 in grants to Greater Montréal charities. Thanks to its competitive investment performance, it can look forward to distributing grants again in 2013.

This success is due to the outstanding contribution of the FGM's first President and CEO, Kathleen Weil, of her successor's, Marina Boulos (whose mandate expired last December) and of a succession of directors, staff members, and volunteers who, over the years, have all in their own way helped bring the Foundation to maturity.

It is therefore with confidence that we look forward to a future that will see the Foundation increase its contribution to the well-being of a Greater Montréal that is so dear to our hearts.



Richard W. Pound
Chairman of the Board



Gaston E. Bouchard
Interim President and CEO

FGM Endowment Funds

Endowment funds ensure donors enjoy the greatest possible flexibility by allowing them to support the causes or areas that are dear to their hearts. To that end, the FGM invests the funds' capital in order to generate revenues that donors may distribute as they see fit through one of the following vehicles:

Community Funds (unrestricted)

Donors rely on the FGM to determine the areas and priorities that require attention and to invest their contributions accordingly.

Field-of-interest Funds

These funds allow donors to choose one or more areas in need of financial support and allow the FGM to determine funding priorities within their chosen areas.

Donor-advised Funds

Owners of these funds recommend to the FGM, on annual basis, the area or organization that will benefit from the revenues generated by their funds. In this respect, these funds are akin to a private foundation without the inherent financial or administrative hassles.

Designated Funds

Donors designate those charitable organizations that will benefit from the revenues generated by their funds. In the event a designated organization ceases operations, revenues are assigned to a similar organization.

Memorial Funds

These funds may be created in the memory of a person or family, or to commemorate an important event. Once created, they are managed in the same way as any other endowment fund.

Scholarship Funds

Donors assign their funds' revenues to scholarships. They may determine eligibility criteria themselves.

Organizational Endowment Funds

Organizations may create funds of which they become the beneficiaries so they can rely on a permanent source of revenues in addition to any income they may generate from fund-raising campaigns. Those who wish to contribute to such a fund may do so through the FGM or by contacting an organization directly.

Organizational Managed Funds

Charitable organizations and foundations may entrust the FGM with the long-term management of their endowment funds while remaining the owners of their funds and controlling the distribution of their revenues.

Note:

Those who so wish may consult the complete list of FGM funds at www.fgmtl.org or dial 514-866-0808 in order to obtain a copy of the list by mail.

The FGM welcomed **29 new funds** in 2012

In all, 29 organizations or individuals have entrusted the FGM with the management of funds **totaling \$7 million.**

Generally, individuals choose to create *Donor-advised Funds* that allow them to designate, on an annual basis, one or more community organizations or areas that will benefit from their generosity. Thus, donors enjoy the benefits of a private foundation without the inherent administrative hassles. Individuals may also transfer donations to the *Community Fund* and let the FGM distribute their revenues in keeping with the needs of the Greater Montréal community, taking into account prevailing needs and economic conditions.

Organizations that entrusted their funds to the FGM in 2012 created *Organizational Endowment Funds* whose revenues will be used to support their activities.



dedicated to the rigorous management of the funds entrusted to the FGM



Normand Grégoire
Chairman, Investment Committee

The Investment Committee is a standing committee of the Board of Directors whose volunteer members, all experienced professionals from the investment and financial sectors, have chosen to contribute to the well-being of their community. The Committee's mandate is to oversee all aspects of the FGM's investment practices, thus ensuring the protection of the FGM's capital and generating the revenues required for the Foundation to fulfill its mission.

To that end, the Committee:

- Recommends an investment policy to the Board of Directors and modifies it as required
- Recommends managers, custodians, and trustees
- Oversees the allocation of assets to various managers
- Submits to the Board of Directors a quarterly report on the performance of each manager and of the Foundation of Greater Montreal Investment Fund (FGMIF).

During the 2012 fiscal year, the FGMIF reached a value of \$136 million which represents an increase of almost \$20.6 million over 2011. This increase is due to net investment revenues of \$4.2 million, a net contribution of \$10 million, and a variation in unrealized investment appreciation of \$6 million.

Fiscal year 2012 turned out to be excellent as our overall portfolio yielded good results. Our net performance of 9.1% for 2012 compares to an average performance of 7.3 % over the past four years.



Targeted and effective interventions

The FGM relies on revenues from generous donors to fulfill its mission and support community organizations through its Community Fund. In line with this mission, it awards grants to organizations working in the areas of health, social development, arts and culture, education, and the environment.

In 2012, 400 organizations from the community filed requests for grants. In response to these requests and, following a judicious evaluation process, the FGM awarded 70 grants totalling \$662,246. The grants were attributed on the basis of priorities set by recognized information sources, including *Vital Signs*, and on the basis of the relevance of the projects submitted.

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The following descriptions constitute examples of projects undertaken by grant recipients.
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HEALTH

Santropol Roulant *The Healthy Kitchen Toolbox*

Santropol Roulant launched a series of new cooking workshops designed to teach essential skills in buying and cooking food for low-income people whose lack of essential knowledge of these matters often threatens their health. Hence, the workshops demystify nutrition-related issues while promoting the learning and practice of the skills required to ensure good nutritional habits. The workshops are offered to Montrealers of all ages and origins.

www.santropolroulant.org/site/



SOCIAL DEVELOPMENT

LOVE

Leave out Violence (Québec)

Snapshot on School Violence

The program deals with violence in schools by targeting a group of some 200 franco-phone and anglophone students between the ages of 15 and 25 who attend participating schools. The group includes intimidators, victims, and witnesses who are encouraged to document acts of violence in schools through writing and photography. They then use their work to communicate their message to students in each of the participating schools.

www.leaveoutviolence.org/quebec/



ARTS and CULTURE

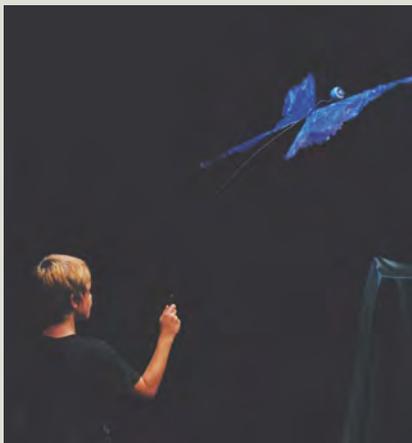
L'Illusion

Théâtre de marionnettes

Young citizens and artistic creativity

The project is aimed at children between the ages of 7 and 12 who attend disadvantaged schools in Montréal. Throughout the school year, more than 60 youths actively contribute to the production of L'Illusion's presentation of *Philémon et Baucis*. This multidisciplinary production relies on puppets and opera to communicate the notion of mutual aid and community spirit. In addition to promoting the artist's work, the program fosters academic maturity among the children involved and helps them develop their full artistic, intellectual, and communication potential.

www.illusiontheatre.com/



EDUCATION

Radio communautaire francophone de Montréal (CIBL)

Perspective Radio

The project relies on radio as a teaching method to contribute to school persistence. Participants learn to apply their training using broadcasting as a laboratory that allows them to test their language skills while living a motivating experience. For the time being, the project operates out of the Eulalie-Durocher school dedicated to young returners. The school serves as host to this pilot project, a first for Québec community-oriented schools.

www.cibl1015.com/



ENVIRONMENT

David Suzuki Foundation Québec

Greater Montréal Green Belt

The FGM awarded the **David Suzuki Foundation - Québec** an exceptional \$25,000 grant to be invested in a project intended to raise awareness among youths and adults of the challenges inherent to the protection of the green areas and of the biodiversity that surround Greater Montréal. More specifically, the grant will be used to produce an ecosystem map that will be distributed in schools and communities of the region.

www.davidsuzuki.org/fr



Note:

Those who so wish may consult the complete list of FGM grants at www.fgmtl.org or dial 514-866-0808 in order to obtain a copy of the list by mail.

PLACEMENTS SPORTS

A promising agreement



In 2012, the Foundation of Greater Montreal became associated with **SPORTSQUÉBEC** within the framework of its Placements Sports matching donation program.

From left to right: Jean-Marc Chouinard, Chairman of the Board, Placements Sports, Richard W. Pound, Chairman of the Board, FGM, Gaston E. Bouchard, Interim President and CEO, FGM, Sylvain Pagé, Parliamentary Assistant Leisure and Sport, Denis Servais, President, **SPORTSQUÉBEC** (foreground).

S **SPORTSQUÉBEC** is a private corporation whose mission is to promote and defend the interests of the sports community and manage related programs. When sports federations receive donations, the Placements Sports program enhances them to the tune of 50 to 300%, depending on the size of the federation, with a view to increasing the federations' financial resources and ensuring the development and promotion of sports in Québec.

A portion of the funds collected is returned to the federations in order to provide for immediate financial needs. The remaining portion is invested in endowment funds so as to ensure the long-term survival of the federations. The ownership and management of these endowment funds has been entrusted to the FGM.

The program, launched on April 1, 2012, has already allowed seven federations to create endowment funds with the help of the FGM. Given the success of the program so far, the FGM expects to open some 20 new endowment funds in 2013.



PLACEMENTS CULTURE SPONSORSHIP PROGRAM

Information day in Montréal

Last May 14, the FGM participated in an event devoted to cultural sponsorships organized by the Conseil des arts et des lettres du Québec. Close to 200 cultural and communication organizations from the Greater Montréal area attended a presentation on the sponsorship program's results for the past six years and on its impact around the Montréal area. The presentation was followed by a discussion of the future of private cultural sponsorships here and around the world. During the afternoon, participants could attend one of two activities: a workshop on the matching gift program sponsored by Mécénat Placements Culture or a workshop given by the FGM on endowment funds, their performance, and the interpretation of relevant documentation.

GREATER MONTREAL'S VITAL SIGNS

A barometer of Greater Montréal's health



Last October 2, the FGM unveiled the 6th edition of its *Greater Montréal's Vital Signs*. This annual health checkup of the Greater Montréal area is intended for those who aim to promote Montréal's vitality and plan their actions in such a way as to address areas judged to be more sensitive than others. Thanks to *Vital Signs*, they can rely on data that reflect what is encouraging or improving, worrying, preoccupying, or simply amazing. Following are some of the report's conclusions.

- Even though some economic indicators are favourable, the Greater Montréal area does not achieve GDP results comparable to those of other Canadian metropolises and its employment rate is regressing.
- Although Montréal's unemployment rate and level of poverty remain among the highest in the country, young people in the area are able to find work more readily than in other parts of Canada.
- Québec universities (many of them Montréal-based) report a dropout rate that is more than twice as high as in the rest of Canada.
- Greater Montréal reports a high number of victims of domestic violence while gang-related crime is on the rise.
- Montrealers rely increasingly on bike and public transportation taking pressure on public transportation facilities to a record high.

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Note:

Those who so wish may consult the Greater Montréal's Vital Signs report at www.fgmtl.org or dial 514-866-0808 in order to obtain a copy by mail.

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INFORMATION FOR ORGANIZATIONS

A much appreciated joint initiative

On September 14, 2012 the FGM and the Jewish Community Foundation of Montreal held an information session on the modifications to the *Canada Not-for-profit Corporations Act*. Some 200 organizations attended the session. Approved on June 23, 2009, the law came into effect on October 17, 2011. A transition period currently in effect will end on October 2014.

BOARD OF DIRECTORS

A TEAM DEVOTED TO the wellbeing of Greater Montréal



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2012)



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(Mandate ended on June 13,
2012)



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(Mandate ended on June 13,
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geneviève bich
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Manager, Citoyen Optimum



Sheila Goldbloom
Honorary Director



Harry Feldman
Director
Partner Schwartz, Levitsky,
Feldman

In Memoriam – Harry Feldman

It is with regret that the FGM learned of the passing of Harry Feldman on July 5, 2012. Mr. Feldman, who served on the Board of Directors and on the Investment Committee from 2002 to 2012, was a dedicated volunteer who contributed generously to the future of Greater Montréal. We thank him for his loyalty and devotion and extend our sympathies to his family and to those who had the privilege of knowing him.

Volunteers whose contribution is indispensable

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President

Pierre Comtois

Communications and Marketing Committee

Isabelle Perras,
President

geneviève bich
Aïda Kamar
Peter McAuslan
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Isabelle Perrault

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President

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Norman E. Hébert Jr
Monique Jérôme-Forget
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Richard W. Pound

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François R. Roy
Louise Roy
Danielle Sauvage

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Dominique McCaughey
Claire Richer Leduc
Manon Vennat

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President

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Roland Lescure
Michael Novak

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Tim Brodhead
Madeleine Féquière
Aïda Kamar
Claude Masse
Michel Mongeon
Danielle Sauvage
Dana Vocisano

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President

Jean Camerlain
Norman E. Hébert Jr

Strategic Planning Committee

Richard W. Pound,
President

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Tim Brodhead
Jean-Guy Gourdeau
Monique Jérôme-Forget

VOLUNTEER ADVISORS – GIFT PLANNING

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Notary, Gendron Carpentier
s.e.n.c.r.l.

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Assistant Vice-President,
Tax and Estate Planning
Manulife Financial

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Lawyer

Pierre Kirouac

Tax Partner
Schwartz, Levitsky Feldman

Jean Lambert

Notary,
President de la Chambre
des notaires du Québec
Lambert Cloutier Pillière Bolduc

Troy MacEachren

Lawyer
Heenan Blaikie

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President
Groupe M. Bacal Inc.

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Tax Lawyer
Regional Director Wealth
Advisory Services
CIBC

Diane Tsonos

Lawyer
RSM Richter Chamberland

Jules Brossard

Tax Lawyer
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F.Pl.
Partner
Option Fortune

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Spiegel Sohmer

Martin Lord

Partner, Tax Lawyer
Robinson Sheppard Shapiro

Hugo Patenaude

Tax Notary
Fasken Martineau



Foundation of Greater Montreal

FINANCIAL STATEMENTS OF

The Foundation of Greater Montreal

December 31, 2012 and December 31, 2011

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INDEPENDENT AUDITOR'S REPORT

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1, Place Ville Marie
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To the Members of
The Foundation of Greater Montreal

We have audited the accompanying financial statements of The Foundation of Greater Montreal, which comprise the balance sheets as at December 31, 2012, December 31, 2011 and January 1, 2011, and the statements of operations and changes in fund balances and cash flows for the years ended December 31, 2012 and December 31, 2011, 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 audits. We conducted our audits 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 audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Foundation of Greater Montreal as at December 31, 2012, December 31, 2011 and January 1, 2011, and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

March 28, 2013



¹ CPA auditor, CA, public accountancy permit No. A120628

STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCES

years ended December 31, 2012 and December 31, 2011

	Operating Fund	Endowment Fund	Total	
			2012	2011
	\$	\$	\$	\$
Revenue (Note 10)				
Donations	112,095	8,986,263	9,098,358	4,099,749
Sponsorships	339,001	-	339,001	253,741
Realized investment income	2,196,924	-	2,196,924	705,451
Management fees	344,501	-	344,501	325,936
Administration fees	383,100	-	383,100	347,994
Other	1,452	-	1,452	94,404
	3,377,073	8,986,263	12,363,336	5,827,275
Expenses				
Donations	1,283,491	-	1,283,491	1,629,739
Administration fees	873,319	-	873,319	653,289
Investment management and custodial fees	407,233	-	407,233	402,430
Community support	118,125	-	118,125	133,090
Life insurance premiums received in donations	50,095	-	50,095	114,154
Communications and marketing	286,380	-	286,380	253,821
Planned donations	115,528	-	115,528	116,261
Amortization of capital assets	3,910	-	3,910	6,495
	3,138,081	-	3,138,081	3,309,279
Excess of revenue over expenses before change in unrealized fair value of investments	238,992	8,986,263	9,225,255	2,517,996
Change in unrealized fair value of investments	2,801,874	-	2,801,874	(1,050,657)
Excess of revenue over expenses	3,040,866	8,986,263	12,027,129	1,467,339
Fund balances, beginning of year	242,749	52,704,717	52,947,466	51,480,127
Transfer of the change in unrealized fair value of investments	(2,801,874)	2,801,874	-	-
Fund balances, end of year	481,741	64,492,854	64,974,595	52,947,466

BALANCE SHEETS

as at December 31, 2012, December 31, 2011 and January 1, 2011



	Operating Fund	Endowment Fund	Total		
			December 31, 2012	December 31, 2011	January 1, 2011
	\$	\$	\$	\$	\$
Assets					
Current assets					
Cash	320,660	-	320,660	270,565	287,583
Amounts due from the Endowment Fund	102,684 *	-	-	-	-
Accrued interest and dividends	90,948	-	90,948	96,017	48,764
Accounts receivable	284,031	-	284,031	215,715	261,761
Prepaid expenses	17,286	-	17,286	15,997	13,996
	815,609	-	712,925	598,294	612,104
Investments (Note 4)	-	64,595,538	64,595,538	52,495,282	51,058,768
Capital assets (Note 5)	194,679	-	194,679	14,678	18,590
	1,010,288	64,595,538	65,503,142	53,108,254	51,689,462
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	383,547	-	383,547	160,788	209,335
Deferred contributions (Note 8)	20,000	-	20,000	-	-
Amounts due to the Operating Fund	-	102,684 *	-	-	-
	403,547	102,684	403,547	160,788	209,335
Deferred contributions related to capital assets (Note 8)	125,000	-	125,000	-	-
	528,547	102,684	528,547	160,788	209,335
Commitments (Note 12)					
Fund balances					
Externally restricted (Note 9)	117,493	64,075,405	64,192,898	52,122,701	50,734,863
Internally restricted	-	417,449	417,449	417,449	417,449
Invested in capital assets	69,679	-	69,679	14,678	18,590
Unrestricted	294,569	-	294,569	392,638	309,225
	481,741	64,492,854	64,974,595	52,947,466	51,480,127
	1,010,288	64,595,538	65,503,142	53,108,254	51,689,462

* These items are not reported in the Total column because they offset each other.

Approved by the Board

Richard W. Pound
Chairman of the Board

Jean-Guy Gourdeau
Treasurer

STATEMENTS OF CASH FLOWS

years ended December 31, 2012 and December 31, 2011

	2012	2011
	\$	\$
Operating activities		
Excess of revenue over expenses	12,027,129	1,467,339
Adjustments for:		
Change in unrealized fair value of investments	(2,801,874)	1,050,657
Amortization of capital assets	3,910	6,495
	9,229,165	2,524,491
Changes in non-cash operating working capital items		
Accrued interest and dividends	5,069	(47,253)
Accounts receivable	(68,316)	46,046
Prepaid expenses	(1,289)	(2,001)
Accounts payable and accrued liabilities	222,759	(48,547)
Deferred contributions	20,000	-
	9,407,388	2,472,736
Financing activities		
Increase in deferred contributions related to capital assets	125,000	-
Investing activities		
Acquisition of investments	(9,356,096)	(2,691,053)
Proceeds on redemption of investments	57,714	203,882
Acquisition of capital assets	(183,911)	(2,583)
	(9,482,293)	(2,489,754)
Increase (decrease) in cash	50,095	(17,018)
Cash, beginning of the year	270,565	287,583
Cash, end of the year	320,660	270,565

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012 and December 31, 2011

1. Description of organization

The Foundation of Greater Montreal (the "FGM") is a charitable organization, incorporated on December 20, 1999 under Part II of the *Canada Corporations Act*, and statutes were extended on December 4, 2012 under the *Canada Not-for-profit Corporations Act*, where the purpose is to collect donations, mainly through bequests or endowment funds, and to promote social services, arts and culture, education, health and the environment. The FGM can also manage funds entrusted to it for administrative purposes. It is a registered charity under the *Income Tax Act*.

2. Adoption of a new accounting framework

During the year ended December 31, 2012, the FGM adopted the new Canadian accounting standards for not-for-profit organizations (the "new standards") adopted by the Canadian Institute of Chartered Accountants ("CICA") and included in Part III of the CICA Handbook. In accordance with CICA Handbook Section 1501, *First-time Adoption by not-for-profit organizations* ("Section 1501"), the date of transition to the new standards is January 1, 2011 and the FGM has prepared and presented an opening balance sheet at the date of transition to the new standards. This opening balance sheet is the starting point for the entity's accounting under the new standards. In its opening balance sheet, under the recommendations of Section 1501, the FGM:

- a) recognized all assets and liabilities whose recognition is required by the new standards;
- b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;
- c) reclassified items that it recognized previously as one type of asset, liability or component of fund balances, but are recognized as a different type of asset, liability or component of fund balances under the new standards; and
- d) applied the new standards in measuring all recognized assets and liabilities.

The FGM has elected to use the exemption for financial instruments that allows the FGM to account for the fair value of specific investments at the date of transition.

In accordance with the requirements of Section 1501, the accounting policies set out in Note 3 have been consistently applied to all years presented. The adoption of the new standards had no impact on the financial statements, with the exception that the disclosure of the statement of cash flows became mandatory, which was not presented previously.

3. 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:

Fund accounting

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

i) Operating Fund

The Operating Fund consists of the following elements:

Externally restricted

These restrictions correspond to amounts available for distribution derived from the donations received which must be distributed based on the donors' desires, realized investment income from the Endowment Fund to be distributed and the donations made, as well as any directly related expenses.

Invested in capital assets

The amounts correspond to the net book value of the capital assets held by the FGM, net of amounts received in relation with their financing.

Unrestricted

The amounts correspond to funds available for the ordinary operating activities of the FGM or for distribution.

ii) *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 ten years.

Unrealized change in fair value of investments

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

Internally restricted

These restrictions arise from transfers from the Operating Fund to protect the capital against inflation. The amounts cannot be used without the prior consent of the FGM Board of Directors.

Revenue recognition

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. 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 for capital assets are recorded as deferred contributions and recognized as revenue when the related capital assets are amortized. Endowment contributions are recognized as revenue in 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 Operating Fund unless the donors have specified otherwise. The unrealized portion of the investment income is transferred to the Endowment Fund.

Capital assets

Capital assets are accounted for at cost and are amortized based on their estimated useful life using the following methods and periods:

Furniture and equipment	straight-line	5 years
Computer hardware	straight-line	3 years

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Foundation becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012 and December 31, 2011

measured at amortized cost except for investments, which are measured at fair value at the balance sheet date. Investments have been valued using the bid price. 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.

4. Investments

	December 31,		January 1,
	2012	2011	2011
	\$	\$	\$
59,146.700 units (50,727.846 units as at December 31, 2011 and 47,085.207 units as at January 1, 2011) of The Foundation of Greater Montreal Investment Fund (Note 6)	63,045,710	50,887,740	49,247,344
Preferred Shares, redeemable after the death of the last survivor of the two donors, dividend of 4.725%	1,000,000	1,000,000	1,000,000
Balanced mutual fund	293,828	351,542	555,424
Mortgage loan, bearing interest at 4.500%, maturing through 2018	256,000	256,000	256,000
	64,595,538	52,495,282	51,058,768

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012 and December 31, 2011

5. Capital assets

	December 31, 2012		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture and equipment	25,889	19,041	6,848
Computer hardware	28,883	22,203	6,680
Management information system*	181,151	-	181,151
	235,923	41,244	194,679

* The management information system is not yet operational and therefore has not been amortized in 2012.

	December 31, 2011		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture and equipment	25,889	17,328	8,561
Computer hardware	26,123	20,006	6,117
	52,012	37,334	14,678

	January 1, 2011		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture and equipment	25,280	13,879	11,401
Computer hardware	24,150	16,961	7,189
	49,430	30,840	18,590

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012 and December 31, 2011

6. 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 bonds, stocks and units of shares of investment funds, at fair value. As at December 31, 2012, the fair value of the funds managed by The Foundation of Greater Montreal Investment Fund and the number of units held are as follows:

	December 31, 2012		December 31, 2011		January 1, 2011	
	Number of units	Fair value	Number of units	Fair value	Number of units	Fair value
		\$		\$		\$
Funds belonging to The Foundation of Greater Montreal	59,146,700	63,045,710	50,727,846	50,887,740	47,085,207	49,247,344
Funds managed for various entities	68,467,064	72,910,552	64,360,488	64,501,326	59,932,107	62,638,362
	127,613,764	135,956,262	115,088,334	115,389,066	107,017,314	111,885,706

7. Line of credit

The FGM has access to an authorized line of credit of \$100,000 (\$100,000 as at December 31, 2011 and nil as at January 1, 2011), bearing interest at prime rate plus 3%. As at December 31, 2012 and December 31, 2011, the line of credit was not used.

8. Deferred contributions

Deferred contributions amounting to \$20,000 consists of external resources received in relation with a fundraising activity and not yet expensed as at December 31, 2012.

	2012	2011
	\$	\$
Balance, beginning of year	-	-
Contributions received during the year	20,000	-
Balance, end of year	20,000	-

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012 and December 31, 2011

Deferred contributions related to capital assets of \$125,000 consists of external resources which the donor has restricted to a specific purpose, namely for the management information system, received in relation with a fundraising activity.

	2012	2011
	\$	\$
Balance, beginning of year	-	-
Contributions received during the year	125,000	-
Balance, end of year	125,000	-

9. Externally restricted – Endowment

i) Composition

The externally restricted amounts are distributed as follows:

	December 31,		January 1,
	2012	2011	2011
	\$	\$	\$
Endowments	63,851,991	54,865,728	50,983,148
Unrealized change in fair value of endowment investments	223,414	(2,578,460)	(1,527,803)
	64,075,405	52,287,268	49,455,345

ii) Endowments

Following the agreements between the donors, the Conseil des arts et des lettres du Québec and the FGM, some donations remain the property of the FGM in perpetuity, for a minimal period of 10 years or for a period of less than 10 years. The externally restricted amounts are distributed as follows:

	December 31,		January 1,
	2012	2011	2011
	\$	\$	\$
Perpetuity	57,197,898	49,498,129	47,545,193
For a minimal period of 10 years	5,775,046	4,483,306	3,437,955
For periods of less than 10 years	879,047	884,293	-
	63,851,991	54,865,728	50,983,148

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December 31, 2012 and December 31, 2011

10. Revenue

i) Donations

During the year, the FGM received donations of \$9,098,358 (\$4,099,749 in 2011). Donations for 2012 include an amount of \$50,095 (\$114,154 in 2011) regarding life insurance premiums paid for which the FGM is the beneficiary of the proceeds.

ii) Realized investment income

	2012	2011
	\$	\$
Units of The Foundation of Greater Montreal Investment Fund	2,140,376	648,931
Other investments	56,548	56,520
	2,196,924	705,451

iii) Management fees

	2012	2011
	\$	\$
The Foundation of Greater Montreal Investment Fund	615,041	573,583
Less: professional fees attributable to The Foundation of Greater Montreal	(270,540)	(247,647)
	344,501	325,936

iv) Administration fees

	2012	2011
	\$	\$
The Foundation of Greater Montreal Investment Fund unitholders	690,162	633,710
Less: professional fees attributable to The Foundation of Greater Montreal	(307,062)	(285,716)
	383,100	347,994

11. Pledges

The FGM has received, as at December 31, 2012, pledges amounting to \$770,000 which will be cashed from year 2013 to 2016.

12. Commitments

Under a free of charge lease, the FGM shall pay the annual operating charges related to the use of the premises. On an annual basis, the commitment is estimated to be \$56,000.

The FGM is also committed for a total amount of \$180,000 under contracts for the acquisition and development of a management information system. The amounts should be paid in 2013.

13. Financial instruments

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

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 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.

Price risk

Price risk is the risk that the investment return of The Foundation of Greater Montreal Investment Fund, in which the FGM holds units, is exposed to risk that arises from fluctuation of market indexes and the degree of volatility of those indexes.

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 bonds and debentures. Therefore, there is a credit risk that the bond or debenture issuers will be unable to pay their obligations towards the Investment Fund, and this will have an impact on the assets of the FGM.



Two SHORT words
that say a LOT

Thank you

The FGM is privileged to be able to rely on the generosity of a number of foundations, contributors, businesses, and volunteers who help it operate and develop into a solid and dynamic community foundation serving Greater Montréal. To all these people and organizations, the FGM extends a warm *thank you* for their invaluable contribution and special *thank you* to the following people and organizations for their support throughout 2012:

- The **FGM staff** for their professional dedication: Diane Bertrand, Louise Bouchard, Marina Boulos, Frédérick Jacob, Hélène Latreille, Isabelle Lupien, Mario Meloche, Teresa Pacheco, Chantal Vinette, and interns Maxime Asselin and Karen Khalil
- The **FGM Board of Directors and its committees** for their solid backing
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