

**UNIVERSITY OF OTTAWA HEART  
INSTITUTE FOUNDATION**

FINANCIAL STATEMENTS

MARCH 31, 2018

**UNIVERSITY OF OTTAWA HEART  
INSTITUTE FOUNDATION**

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	3
Summary Statement of Operations and Changes in Fund Balances	4
Statement of Operations and Changes in Fund Balances	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Additional Information	
Schedule A – Endowed Funds Details	21
Schedule B – Named Funds Details	22

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
University of Ottawa Heart Institute Foundation

We have audited the accompanying financial statements of the University of Ottawa Heart Institute Foundation, which comprise the statement of financial position as at March 31, 2018 and the statements of operations and changes in fund balances and cash flows for the year then ended, as well as a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University of Ottawa Heart Institute 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.

*Emphasis of Matter*

The financial statements of the University of Ottawa Heart Institute Foundation for the year ended March 31, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on June 8, 2017.

*Emphasis of Matter*

Without modifying our opinion, we draw attention to Note 2 to the financial statements which states that the comparative figures were restated.



Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario  
May 28, 2018

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

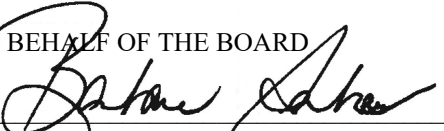
## STATEMENT OF FINANCIAL POSITION

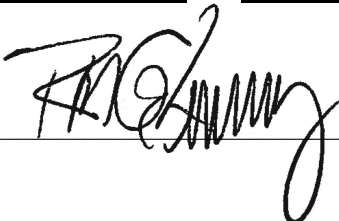
MARCH 31, 2018

3

	<u>General Fund</u>	<u>Restricted Fund</u>	<u>Endowment Fund</u>	<u>2018 Total</u>	<u>2017 Total</u>
<b>ASSETS</b>					
<b>Current assets</b>					
<i>Cash</i>	\$ 1,123,235	\$ 12,737,432	\$ -	\$ 13,860,667	\$ 2,021,621
<i>Accounts receivable</i>	142,600	48,034	-	190,634	177,221
<i>Current portion of investments (Note 6)</i>	-	130,162	-	130,162	11,156,007
<i>Unrealized gain on interest rate swap (Note 10)</i>	-	133,934	-	133,934	-
<i>Prepaid expenses</i>	4,175	40,700	-	44,875	10,229
	<u>1,270,010</u>	<u>13,090,262</u>	<u>-</u>	<u>14,360,272</u>	<u>13,365,078</u>
<b>Investments (Note 6)</b>		<b>29,273,015</b>	<b>43,772,980</b>	<b>73,045,995</b>	<b>73,563,485</b>
<b>Intangible assets (Note 7)</b>	<b>22,810</b>	<b>-</b>	<b>-</b>	<b>22,810</b>	<b>-</b>
<b>Gift agreements (Note 8)</b>	<b>-</b>	<b>1,691,477</b>	<b>-</b>	<b>1,691,477</b>	<b>1,859,082</b>
<b>Research Trainee Fund (Note 9)</b>	<b>-</b>	<b>-</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>1,500,000</b>
	<u>\$ 1,292,820</u>	<u>\$ 44,054,754</u>	<u>\$ 45,272,980</u>	<u>\$ 90,620,554</u>	<u>\$ 90,287,645</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Current liabilities</b>					
<i>Accounts payable and accrued liabilities</i>	\$ 223,272	\$ 5,125,320	\$ 5,206	\$ 5,353,798	\$ 276,534
<i>Current portion of long-term debt (Note 10)</i>	-	895,000	-	895,000	-
<i>Deferred revenue</i>	69,548	-	-	69,548	83,649
	<u>292,820</u>	<u>6,020,320</u>	<u>5,206</u>	<u>6,318,346</u>	<u>360,183</u>
<b>Long term liabilities</b>		<b>9,105,000</b>	<b>-</b>	<b>9,105,000</b>	<b>-</b>
<i>Long-term debt (Note 10)</i>	-	9,105,000	-	9,105,000	-
	<u>292,820</u>	<u>15,125,320</u>	<u>5,206</u>	<u>15,423,346</u>	<u>360,183</u>
<b>FUND BALANCES (Note 11)</b>	<b>1,000,000</b>	<b>28,929,434</b>	<b>45,267,774</b>	<b>75,197,208</b>	<b>89,927,462</b>
	<u>\$ 1,292,820</u>	<u>\$ 44,054,754</u>	<u>\$ 45,272,980</u>	<u>\$ 90,620,554</u>	<u>\$ 90,287,645</u>

ON BEHALF OF THE BOARD

  
\_\_\_\_\_, Director

  
\_\_\_\_\_, Director

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

## SUMMARY STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED MARCH 31, 2018

4

	2018	2017
<b>REVENUE</b>		
<i>Leadership gifts program</i>	\$ 6,491,551	\$ 8,117,966
<i>Restricted, endowed and other gifts program</i>	3,525,726	3,416,687
<i>Corporate gifts and events program</i>	1,052,078	1,157,477
<i>Direct mailout program</i>	1,388,030	1,176,003
<i>Tributes program</i>	259,751	280,047
	<u>12,717,136</u>	<u>14,148,180</u>
<i>Net investment income (Note 6)</i>	3,285,690	7,621,977
<i>Unrealized gain on interest rate swap (Note 10)</i>	133,934	-
	<u>16,136,760</u>	<u>21,770,157</u>
<b>EXPENSES</b>		
Administration (Page 5)	<u>814,572</u>	<u>656,635</u>
Fundraising activities		
<i>Capital and planned gifts program</i>	255,066	508,607
<i>Restricted, endowed and other gifts program</i>	736,316	704,095
<i>Corporate gifts and events program</i>	377,268	375,735
<i>Direct mailout program</i>	556,016	464,815
<i>Communications and marketing</i>	247,289	227,123
<i>Tributes program</i>	29,663	21,325
<i>Benefactor relations and stewardship program</i>	39,877	12,741
	<u>2,241,495</u>	<u>2,314,441</u>
	<u>3,056,067</u>	<u>2,971,076</u>
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE ALLOCATIONS</b>	<u>13,080,693</u>	<u>18,799,081</u>
Allocations		
<i>Capital programs</i>	22,871,873	6,438,666
<i>Clinical programs</i>	716,867	1,531,444
<i>Education programs</i>	267,511	325,550
<i>Equipment purchases</i>	654,102	631,836
<i>Research programs</i>	3,094,430	4,431,113
<i>French programs</i>	116,147	103,023
<i>Other programs</i>	90,017	14,737
	<u>27,810,947</u>	<u>13,476,369</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES AND ALLOCATIONS</b>	<u>(14,730,254)</u>	<u>5,322,712</u>
<b>FUND BALANCES</b> (Note 11)		
<b>Beginning of year</b>	<u>89,927,462</u>	<u>84,604,750</u>
<b>End of year</b>	<u>\$ 75,197,208</u>	<u>\$ 89,927,462</u>

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

## STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 2018

5

	General Fund		Restricted Fund		Endowment Fund	
	2018	2017 (Restated - Note 2)	2018	2017 (Restated - Note 2)	2018	2017 (Restated - Note 2)
<b>REVENUE</b>						
Donations and contributions						
Leadership gifts program	\$ 756,609	\$ 1,376,811	\$ 5,734,942	\$ 6,741,155	\$ -	\$ -
Restricted, endowed and other gifts program	385,768	318,802	2,346,754	2,199,471	793,204	898,414
Corporate gifts and events program	951,668	1,057,077	100,410	100,400	-	-
Direct mailout program	1,388,030	1,174,632	-	1,371	-	-
Tributes program	259,751	280,047	-	-	-	-
	<u>3,741,826</u>	<u>4,207,369</u>	<u>8,182,106</u>	<u>9,042,397</u>	<u>793,204</u>	<u>898,414</u>
Net investment income (Note 6)	3,216,084	7,482,138	69,606	139,839	-	-
Unrealized gain on interest rate swap (Note 10)	-	-	133,934	-	-	-
	<u>6,957,910</u>	<u>11,689,507</u>	<u>8,385,646</u>	<u>9,182,236</u>	<u>793,204</u>	<u>898,414</u>
<b>EXPENSES</b>						
Administration						
Salaries & benefits	489,452	416,969	-	-	-	-
Professional fees	21,822	34,750	-	-	-	-
Office	49,885	49,326	-	-	-	-
Rent	53,637	42,934	-	-	-	-
Memberships	7,321	3,549	-	-	-	-
Computer supplies and maintenance	124,152	95,771	-	-	-	-
Staff development	2,784	5,152	-	-	-	-
Amortization of intangible asset	6,002	-	-	-	-	-
Fees from restricted/endowed revenue	(99,457)	(119,798)	49,470	110,948	49,987	8,850
Other	11,785	8,184	47,732	-	-	-
	<u>667,383</u>	<u>536,837</u>	<u>97,202</u>	<u>110,948</u>	<u>49,987</u>	<u>8,850</u>
Fundraising activities						
Capital and planned gifts program	255,066	508,607	-	-	-	-
Restricted, endowed and other gifts program	736,316	704,095	-	-	-	-
Corporate gifts and events program	377,268	375,735	-	-	-	-
Direct mailout program	556,016	464,815	-	-	-	-
Communications and marketing	247,289	227,123	-	-	-	-
Tributes program	29,663	21,325	-	-	-	-
Benefactor relations and stewardship program	39,877	12,741	-	-	-	-
	<u>2,241,495</u>	<u>2,314,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,908,878</u>	<u>2,851,278</u>	<u>97,202</u>	<u>110,948</u>	<u>49,987</u>	<u>8,850</u>
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE ALLOCATIONS</b>	<b>4,049,032</b>	<b>8,838,229</b>	<b>8,288,444</b>	<b>9,071,288</b>	<b>743,217</b>	<b>889,564</b>
Allocations						
Capital programs	-	2,323	22,777,298	6,436,343	94,575	-
Clinical programs	-	-	714,342	1,427,569	2,525	103,875
Education programs	100,000	100,000	153,486	205,525	14,025	20,025
Equipment purchases	-	-	632,527	610,186	21,575	21,650
Research programs	-	1,144,762	1,443,400	1,540,527	1,651,030	1,745,824
French programs	-	-	116,147	103,023	-	-
Other programs	-	-	74,817	13,487	15,200	1,250
	<u>100,000</u>	<u>1,247,085</u>	<u>25,912,017</u>	<u>10,336,660</u>	<u>1,798,930</u>	<u>1,892,624</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES AND ALLOCATIONS</b>	<b>3,949,032</b>	<b>7,591,144</b>	<b>(17,623,573)</b>	<b>(1,265,372)</b>	<b>(1,055,713)</b>	<b>(1,003,060)</b>
<b>FUND BALANCES</b> (Note 11)						
<b>BEGINNING OF YEAR</b>	1,000,000	1,001,226	40,595,225	33,759,351	48,332,237	49,844,173
Interfund transfers (Note 11)	(3,949,032)	(7,592,370)	5,957,782	8,101,246	(2,008,750)	(508,876)
<b>END OF YEAR</b>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 28,929,434</u>	<u>\$ 40,595,225</u>	<u>\$ 45,267,774</u>	<u>\$ 48,332,237</u>

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2018

6

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
<i>Cash donations and contributions</i>	\$ 12,055,929	\$ 13,531,242
<i>Cash paid for</i>		
Administration	(799,623)	(661,640)
Fundraising	(2,241,495)	(2,314,441)
Restricted Allocations	(22,677,277)	(12,229,284)
General Allocations	(100,000)	(1,247,085)
	<u>(13,762,466)</u>	<u>(2,921,208)</u>
<b>Cash flows from financing activity</b>		
<i>Proceeds from long-term debt</i>	<u>10,000,000</u>	<u>-</u>
<b>Cash flows from investing activity</b>		
<i>Net change in investments</i>	15,630,324	1,010,942
<i>Purchase of capital assets</i>	<u>(28,812)</u>	<u>-</u>
	<u>15,601,512</u>	<u>1,010,942</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>11,839,046</b>	<b>(1,910,266)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>2,021,621</u>	<u>3,931,887</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ <u><u>13,860,667</u></u></b>	<b>\$ <u><u>2,021,621</u></u></b>

*Cash and cash equivalents are comprised of cash.*



# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

7

### 1. PURPOSE OF THE ORGANIZATION

The University of Ottawa Heart Institute Foundation ("the Foundation") is incorporated without share capital under the *Canada Not-for-profit Corporations Act*. The Foundation coordinates and promotes fundraising and endowment activities to support and fund research, patient care, education and other activities concerning cardiovascular health at the University of Ottawa Heart Institute ("the Heart Institute") and the Ottawa Heart Institute Research Corporation ("OHIRC"). The Foundation is a registered charity under the *Income Tax Act* and, as such, is exempt from income taxes and may issue tax donation receipts.

### 2. RESTATEMENT OF PRIOR PERIOD

The Foundation's financial statements as at March 31, 2017 are restated to present the unrealized gains on investments in the amount of \$1,893,927 in the General Fund instead of in the Restricted Fund and Endowment Fund. This presentation is consistent with the presentation of the realized investment income. As a result, the revenue and the excess of revenue over expenses and allocations as at March 31, 2017 of each fund have been restated. The revenue and the excess of revenue over expenses and allocations of the General Fund have been increased by \$1,893,927, the revenue and the excess of revenue over expenses and allocations of the Restricted Fund have been decreased by \$19,626 and the revenue and the excess of revenue over expenses and allocations of the Endowment Fund have been decreased by \$1,874,301. The Foundation has an internal policy to maintain a minimum balance of \$1,000,000 in the General Fund annually and, as such, transfers any surplus to the Restricted Funds through an internal restriction. Accordingly, the opening fund balances as of April 1, 2016 of the Restricted Fund and Endowment Fund have also been restated to transfer previously recorded unrealized gains on investments in the amount of \$3,390,052 from the Endowment Fund to the Restricted Fund. The restatement did not have any impact on the General Fund opening balance as of April 1, 2016 of \$1,001,226. The interfund transfer as at March 31, 2017 from the General Fund to the Restricted Fund was increased by \$1,893,927 due to the restatement. Consequently, the ending fund balance of the Restricted Fund has been increased by \$5,264,353 and the ending fund balance of the Endowment Fund has been decreased by the same amount. The ending fund balance of the General Fund remained at \$1,000,000.

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

8

### 3. SIGNIFICANT ACCOUNTING POLICIES

The Foundation applies Canadian accounting standards for not-for-profit organizations (ASNFPO) in accordance with Part III of the CPA Canada Handbook – Accounting.

#### **Fund accounting**

The accounts of the Foundation are maintained in accordance with the principles of fund accounting. Resources received and expended are classified for accounting and reporting purposes into funds according to objectives specified externally by donors or internally by the Board of Directors. Transfers between the funds are made when it is considered appropriate or authorized by the Board of Directors. These interfund transfers are recorded in the statement of operations and changes in fund balances.

#### **a. General Fund**

The General Fund was established to coordinate all fundraising activities of the Foundation. The Fund reports unrestricted contributions and net investment income, which are disbursed with the approval of the Board of Directors.

#### **b. Restricted Fund**

The Restricted Fund reports only restricted resources that are to be used for capital, clinical, education, equipment, research, French or other programs as specified by the donor.

#### **c. Endowment Fund**

The Endowment Fund reports resources contributed for endowment. Income generated is used to support clinical, education, equipment, research or other programs as specified by the donor, or as directed by the Board of Directors.

#### **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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the year. Actual results could differ from these estimates. The most significant estimate used in the preparation of the financial statements relates to the fair value of the life insurance policies included in the gift agreements.

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

9

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue recognition

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

Donations are recorded as revenue when received. Gifts of shares are recorded at fair value at the time of the donation. Because of the difficulty in determining their fair value, contributed materials and services are not recognized in the financial statements.

Unrestricted contributions are recognized as revenue of the General fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Contributions received for future events are deferred and recognized in the period in which the event occurs.

Endowed contributions are recognized as revenue of the Endowed Fund if the amount can be reasonably estimated and collection is reasonably assured. Endowed contributions represent funds received where only the income earned from the investment of the amount received can be expensed.

Unrestricted net investment income includes interest income, dividend income, income distributions from pooled funds, and realized and unrealized gains (losses) on investments. Investment income is recognized as revenue when earned. Investment income is recorded in the statement of operations of the General Fund when it is not externally restricted. Investment income is allocated to the Restricted Fund and Endowment Fund by way of interfund transfers in accordance with the internal policies of the Foundation. Investment income subject to restrictions is recognized in the Restricted or Endowed Funds as established by the specific restrictions.

#### Foreign currency transactions

The Foundation uses the temporal method to translate its foreign currency transactions. Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the date of the statement of financial position. Non-monetary assets and liabilities are translated at the historic rate.

#### Allocated expenses

Expenses are allocated between administration and fundraising activities based on actual time spent for salaries and benefits and based on measurable and relevant criteria for other expenses subject to allocation. This basis for allocation is applied consistently each year.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments**

*Measurement of 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 and financial assets designated at fair value at initial recognition, which are measured at fair value. Changes in fair value are recognized in operations.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial assets measured at cost include the Research Trainee Fund.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long-term debt.

Financial assets measured at fair value include investments, gift agreements and unrealized gain on the interest rate swap.

*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 operations. The 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 operations.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Transaction costs*

The Foundation recognizes its transaction costs in operations 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 operations using the straight-line method.

*Derivatives*

All of the Foundation's derivative products are forward contracts or interest rate swaps to manage interest rate risk. Regardless of whether the forward contracts meet the criteria to designate them for hedge accounting or not, the Foundation does not designate them as hedging items. They are recorded at fair value in the balance sheet as other assets or accrued liabilities. The fair value of derivatives is determined by using observed market interest rate information, along with management judgment. Any unrealized gains or losses from such contracts are recorded in the statement of operations for the period.

**Intangible assets**

Intangible assets are recorded at cost. The Heart Institute's logo cost is amortized on a straight-line basis over a period of two years.

**Gift agreements**

Life insurance policies and trusts are recognized as revenue when the Foundation becomes entitled to the contribution. Irrevocable gift agreements are recognized when the related agreement is signed. The amounts are recorded at fair value, based upon the expected timing of cash flows and on the related discount rates.

**Cash and cash equivalents**

The Foundation's policy is to present bank balances under cash and cash equivalents, including bank overdrafts with balances that may fluctuate from being positive to overdrawn.

**Pension plans**

The Foundation participates in a multi-employer defined contribution pension plan and in a multi-employer defined benefit plan (Hospitals of Ontario Pension Plan). Contributions are recognized on an accrual basis and are expensed with salaries and benefits in the statement of operations and changes in fund balances.

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

12

### 4. ALLOCATED EXPENSES

Salaries and benefits are allocated between administration and fundraising activities as follows:

	<u>2018</u>	<u>2017</u>
Administration	\$ 487,425	\$ 413,261
Fundraising activities:		
Leadership gifts program	154,526	411,817
Restricted, endowed and other gifts program	694,273	652,430
Corporate gifts and events program	139,211	93,761
Direct mailout program	197,822	108,094
Tributes program	13,200	12,435
Total	<u>\$ 1,686,457</u>	<u>\$ 1,691,798</u>

During the year, \$253,264 (2017: \$245,935) was allocated from administration to the fundraising programs.

### 5. CONTRIBUTED MATERIALS AND SERVICES

During the year, the Foundation received \$879,979 (2017: \$1,064,039) of gifts in kind for which it has issued charitable receipts. Gifts of shares make up \$801,297 (2017: \$736,960) of this total and are included in fundraising revenue in the statement of operations and changes in fund balances. Contributed materials other than gifts of shares are not recognized in the financial statements. Also, seventy-five (75) volunteers contributed approximately three thousand (3,000) hours during the fiscal year to assist the Foundation with its activities. The value of these services has not been recorded in the financial statements.

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

13

### 6. INVESTMENTS

	2018			2017		
	Cost	Market Value		Cost	Market Value	
	\$	\$	%	\$	\$	%
<b>Current portion of investments</b>						
Cash	129,924	129,924	0.2	766,385	766,385	0.9
Hollis Cash (Bldg Fund)	238	238	0.0	10,389,622	10,389,622	12.3
	<b>130,162</b>	<b>130,162</b>	<b>0.2</b>	11,156,007	11,156,007	13.2
<b>Long-term investments</b>						
Canadian Fixed Income						
Federal bonds	10,776	10,803	0.0	13,029	12,781	0.0
Provincial bonds	117,090	117,030	0.2	125,811	134,488	0.2
Corporate bonds	7,449,842	7,625,260	10.4	6,472,322	7,518,787	8.9
Income funds	10,946,556	10,923,510	14.9	14,497,859	14,765,934	17.4
	<b>18,524,264</b>	<b>18,676,603</b>	<b>25.5</b>	21,109,021	22,431,990	26.5
International Fixed Income	5,306,140	5,304,205	7.2	5,474,678	5,159,536	6.1
	<b>23,830,404</b>	<b>23,980,808</b>	<b>32.7</b>	26,583,699	27,591,526	32.6
Equities Held in Pooled Funds						
Canadian	10,038,300	10,060,476	13.7	9,129,963	10,388,150	12.3
International	2,301,680	2,796,741	3.8	2,159,274	2,637,529	3.1
Global	24,089,335	24,868,346	34.0	22,671,678	24,739,830	29.1
	<b>36,429,315</b>	<b>37,725,563</b>	<b>51.6</b>	33,960,915	37,765,509	44.5
Alternative Investments Held in Pooled Funds	9,208,245	11,339,625	15.5	7,413,531	8,206,450	9.7
	<b>69,467,964</b>	<b>73,045,995</b>	<b>99.8</b>	67,958,145	73,563,485	86.8
	<b>69,598,126</b>	<b>73,176,157</b>	<b>100.00</b>	79,114,152	84,719,492	100.00

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

14

### 6. INVESTMENTS (continued)

Investment income earned on the Foundation's assets consist of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	<b>\$ 1,793,574</b>	\$ 1,724,985
Realized gains on investments	<b>3,806,945</b>	4,538,300
Unrealized gains (losses) on investments	<b>(1,686,322)</b>	1,893,927
Management fees and transaction costs	<b>(628,507)</b>	(535,235)
	<b><u>\$ 3,285,690</u></b>	<b><u>\$ 7,621,977</u></b>

### 7. INTANGIBLE ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net book value 2018</u>	<u>Net book value 2017</u>
Logo	<b>\$ 28,812</b>	<b>\$ 6,002</b>	<b>\$ 22,810</b>	<b>\$ -</b>

### 8. GIFT AGREEMENTS

The Foundation has been named beneficiary of life insurance policies and trusts for which it is not yet entitled to the contributions. The maturity value of the life insurance policies is \$3,085,000 and the maturity value of the trusts' amounts receivable is \$150,714 for a total of \$3,235,714 (2017: \$3,187,314).

The Foundation has been named beneficiary of irrevocable gift agreements which will result in future cash flows to the Foundation in the amount of \$2,000,000 (2017: \$2,180,000). The present value of these irrevocable gift agreements is \$1,691,477 (2017: \$1,859,082).



# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

15

### 9. RESEARCH TRAINEE FUND

On April 4, 2008, the Foundation entered into an agreement with the University of Ottawa (uOttawa) where the Foundation and uOttawa each contributed \$1,500,000 to an endowed 'Research trainee fund'. A benefactor has pledged \$2,000,000 over approximately 8 years to this same fund, resulting in an expected \$5,000,000 endowment to be managed by uOttawa. The fund shall be used exclusively for cardiac research at the Heart Institute, and decisions regarding the use of the fund will be made by the Heart Institute. Should all parties agree on the need for such research training be terminated, the Foundation will be entitled to receive its original capital contribution of \$1,500,000.

### 10. LONG-TERM DEBT AND CREDIT FACILITIES

	<u>2018</u>	<u>2017</u>
Term loan - fixed through a forward SWAP contract at 2.44%, maturing on January 31, 2028, payable in variable quarterly instalments, principal and interest <sup>(a)</sup>	<b>\$ 10,000,000</b>	\$ -
Current portion of long-term debt	<b>(895,000)</b>	-
	<b><u>\$ 9,105,000</u></b>	<b><u>\$ -</u></b>

Long-term debt principal repayments over the next five years are as follows:

2019	\$ 895,000
2020	\$ 917,000
2021	\$ 939,000
2022	\$ 963,000
2023	\$ 985,000

- a) The Foundation has entered into a credit facility with the Royal Bank of Canada to provide up to \$20,000,000 in borrowing subject to the Foundation's cash flow requirements. This financing is composed of a fixed rate facility of \$10,000,000 and a floating rate facility, bearing interest at prime minus 75 basis points, of \$10,000,000.

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

16

---

### 10. LONG-TERM DEBT AND CREDIT FACILITIES (continued)

The fixed rate facility consists of a forward contract of which \$10,000,000 was drawn down on January 31, 2018. The interest rate was fixed with an interest rate swap fixing the interest rate at 2.44% for the 10-year term. As at March 31, 2018, the SWAP forward contract showed an unrealized gain of \$133,934.

The floating rate facility is available on demand, is maturing on March 31, 2020, and bears interest at the Royal Bank prime minus 75 basis points. No amount has been borrowed on this facility as at March 31, 2018.

Both facilities are secured with a first ranking security interest in all personal property of the Foundation. They are also guaranteed by the Heart Institute in the form of a second ranking security in all of its personal property.

### 11. INTERFUND TRANSFERS AND INTERNALLY RESTRICTED FUNDS

During the year, the Foundation transferred a net amount of \$5,635,354 (2017: \$5,698,443) between the General Fund, the Restricted Fund and the Endowment Fund. These transfers relate to investment income allocation from the General Fund to the Restricted and Endowment Funds as established by the Foundation's policies. These transfers also include changes in the designation of funds as directed by donors and in accordance with internally imposed restrictions approved by the Board of Directors.

The Restricted Fund balance of \$28,929,434 is comprised of internally restricted funds in the amount of \$15,159,595 and of donor restricted funds in the amount of \$13,769,839.

### 12. CAPITAL DISCLOSURES

The Foundation defines capital as its unrestricted, restricted and endowed fund balances. The objectives of the Foundation with respect to its unrestricted fund balance is to provide funds for its ongoing operations, capital acquisitions and other projects as deemed required. The objective with respect to the restricted fund is to appropriate funds for existing and anticipated future projects and programs. The objective with respect to the Endowed Fund is to provide funds for chairs, fellowships, lectureships, capital acquisitions, patient support along with heart research, clinical and education programs. There have been no changes to the Foundation's overall strategy with regards to capital.

### 13. FINANCIAL INSTRUMENTS

#### 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 interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the Foundation to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

The Foundation is exposed to cash flow risk on its cash on hand as cash flows are based on floating rates of interest. Floating interest rates are 1.45% (2017: 0.70%), based upon the prime rate less 2.00%.

To manage its interest rate risk, the Foundation has entered into an interest rate swap agreement as described in Note 10. Consequently, the Foundation's long-term debt bears at a fixed interest rate and, as a result, the risk exposure is minimal.

The Foundation is exposed to price risk on its investments to the extent that they bear interest at fixed rates. The Foundation's fixed rate investments amount to \$23,980,808 (2017: \$27,591,526) at interest rates of 1.6%-9.9% (2017: 1.7% to 9.9%), with maturity dates ranging from April 9, 2018 to March 26, 2048 (2017: May 30, 2017 to December 21, 2051).

#### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation is exposed to risk from changes in foreign currency rates. As of March 31, 2018, the Foundation's total investment in non-Canadian equities had a market value of \$27,665,087 (2017: \$27,377,359).

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Foundation holds investments in a broad range of sectors that are subject to market risk and the value of the investments will fluctuate as a result of changes in market prices.

The Foundation mitigates the above noted risks through the use of investment policies and with the assistance of portfolio managers, whose objective is to manage and control market risk exposures within acceptable parameters while optimizing the return.

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

18

### 14. PENSION PLANS

The employees of the Foundation participate in two pension plans. In addition to a defined contribution plan established in 2005, where the Foundation matches employee contributions to this plan to a maximum of 8.125% of the employee's salary, the Foundation joined the Hospitals of Ontario Pension Plan (HOOPP), a multi-employer defined benefit plan, in January 2009. The Foundation has adopted defined contribution plan accounting principles for the HOOPP Plan because insufficient information is available to apply defined benefit plan accounting principles. The most recent financial results for HOOPP indicate that, as at December 31, 2017, the plan was fully funded. Variances between actuarial funding estimates and actual experience may be material and differences are generally funded by the participating members. Insufficient information is available to determine the Foundation's portion of the pension assets and liabilities as of March 31, 2018.

Contributions to the plans made during the year by the Foundation on behalf of its employees amounted to \$4,584 (2017: \$3,574) for the defined contribution plan and amounted to \$116,735 (2017: \$118,559) for the HOOPP plan and are included in the statement of operations.

### 15. CONTINGENT LIABILITY

The Foundation has issued a \$97,500 letter of credit secured by one of its bank accounts. Any losses resulting from this letter of credit will be charged to earnings in the year incurred.

### 16. COMMITMENTS

The Foundation has entered into a lease agreement for equipment with Neopost Leasing Services Canada Limited ending September 30, 2019. Lease payments are required as follows:

March 31, 2019	\$	18,155
March 31, 2020	\$	9,078

The Foundation has also signed a lease agreement for office space with the Ottawa Hospital Residence Corporation ending March 31, 2020. Payments are required as follows:

March 31, 2019	\$	82,157
March 31, 2020	\$	83,800

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

19

### 16. COMMITMENTS (continued)

The Foundation has pledged to contribute funds to the Heart Institute in support of the important construction and equipment upgrade project currently underway. The Foundation's budgeted commitment was established at \$63M for construction costs and for medical and other equipment purchases. To date, the Foundation has contributed an amount of \$32.3M against this estimated commitment, leaving a remaining commitment of \$30.7M.

### 17. RELATED PARTY TRANSACTIONS, ALLOCATIONS AND BALANCES

The Heart Institute and the Ottawa Heart Institute Research Corporation (OHIRC) are related to the Foundation as the Foundation holds resources that are used to benefit these entities.

The following allocations to the University of Ottawa Heart Institute are included in expense:

Capital programs	\$ 22,625,674	(2017: \$6,438,666)
Clinical programs	\$ 150,000	(2017: \$1,160,000)
Equipment purchases	\$ 589,262	(2017: \$441,622)

Included in accounts payable is \$5,033,670 (2017: \$25,176) owing to the University of Ottawa Heart Institute. This amount is non-interest bearing and has no specified terms of repayment.

The following allocations to OHIRC are included in expense:

Clinical programs	\$ 493,333	(2017: \$371,352)
Equipment purchases	\$ 154,280	(2017: \$nil)
Research programs	\$ 3,059,932	(2017: \$4,357,819)

Included in accounts payable is \$174,650 (2016: \$166,866) owing to OHIRC. This amount is non-interest bearing and has no specified terms of repayment.

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

20

---

### 17. RELATED PARTY TRANSACTIONS, ALLOCATIONS AND BALANCES (continued)

OHIRC provides payroll management services for the Foundation at no cost. All salaries and benefits' costs are reimbursed on a monthly basis by the Foundation. Included in accrued liabilities is \$79,302 owing to OHIRC for salaries and benefits.

These transactions are considered to be in the normal course of operations, and are measured at the exchange value.

### 18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to be consistent with the current year's presentation.

**UNIVERSITY OF OTTAWA HEART INSTITUTE**

**ADDITIONAL INFORMATION**

**FOR THE YEAR ENDED MARCH 31, 2018**

**SCHEDULE A - ENDOWED FUNDS DETAILS**

<b>Endowed Chairs</b>	<b>Fund Balance</b>	<b>Endowed Research Fellowships</b>	<b>Fund Balance</b>
Donald S. Beanlands Cardiac Education Chair	\$ 2,080,800	Jan & Ian Craig Research Fellowship in Prevention & Rehabilitation	\$ 1,040,400
Saul & Edna Goldfarb Cardiac Imaging Chair	2,080,800	Ernest & Margaret Ford Research Fellowship in Cardiology	1,040,400
Cardiac Surgery Research Chair	2,080,800	Strategic Research Fellowship Allan & Margaret Buchanan Endowment Fund	\$ 135,116
Cardiac Valve Surgery Research Chair	2,080,800	Designated Funds	466,711
Strategic Research Chair	1,500,000	General Endowed Funds	<u>438,573</u>
Electrophysiology Leadership Chair	2,080,800	Lawrence Soloway Research Fellowship in Cardiac Surgery	1,040,400
Gordon F. Henderson Leadership Chair	2,080,800	University of Ottawa Cardiology Research Endowment Fund for Fellowships and Graduate Students at the Heart Institute (Research Trainee Fund)	1,500,000
Interventional Cardiology Research Chair	2,080,800	Whit & Heather Tucker Research Fellowship in Cardiology	1,040,400
Merck Frosst Canada Atherosclerosis	2,080,800	Vered - Beanlands Research Fellowship	1,040,500
Pfizer Hypertension Research Chair	2,080,800	Chan Kaufman Fellowship	<u>1,040,400</u>
Michael Pitfield Cardiac Surgery Chair	2,080,800		<u>8,782,900</u>
Vered Cardiology Chair	<u>2,080,800</u>	<b>Endowed Lectureships</b>	
	<u>24,388,800</u>	J. Earl Wynands Lectureship in Cardiac Anaesthesia	260,100
		Cardiac Nursing Lectureship	260,100
		Anand & Saroj Aggarwal Endowed Lectureship for South Asian Heart Health	260,100
		Sheila & Don Bayne Cardiovascular Genetics Lectureship	260,100
Named Funds (Schedule B)	<u>6,174,779</u>	Peter & Eva Foustanelas Cardiac Surgery Lectureship	260,100
		Wilbert J. Keon Lectureship	260,100
<b>Benefactor gifts</b>	<u>\$ 3,580,245</u>	Margaret & Theodore Marr Family Lectureship in Electrophysiology	260,250
		Michael Potter & Véronique Dhieux Cardiovascular Genetics Lectureship	260,100
		Servier Canada Heart Function Lectureship	<u>260,100</u>
			<u>2,341,050</u>
		<b>Total Endowed Funds</b>	<u>\$ 45,267,774</u>

**UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION**

**ADDITIONAL INFORMATION  
FOR THE YEAR ENDED MARCH 31, 2018**

**SCHEDULE B - NAMED FUNDS DETAILS**

	Fund Balance		Fund Balance
Heart Institute Priorities		Research	
M & S Barber Family	\$ 17,195	Jack & Florence Akeroyd	\$ 43,317
Borden, Ladner, Gervais	25,500	Don & Marion Baker Family	35,465
Nancy Bracken Watson Fund	19,400	Howard Barnes Family Fund	24,918
Arden Brooks Memorial	88,005	Manjit & Jagtar Basi Family	30,000
Neta Clarke Fund	10,000	Hartwig Bauer Memorial	68,060
Kevin Dee & Janice Grantham	30,000	C Brown & D Piragoff Fund	10,000
George & Marion Douglas Fund	25,146	Marcia & Barry Cantor Family	20,333
Horace G Dunbar Family	45,105	Leonard & Georgette Carter	10,404
W H Eastwood Endowment Fund	95,838	Jacques & Ellen Emond Fund	67,412
Serge & Jeanne Emalyanov	138,340	Firestone Family Fund in CV Genetics	85,937
Paul Faynwachs Family Fund	121,200	Mark & Sandy Goldstein Family Endowment	10,645
Eglantine & Fernand Fortin Family	10,222	Doris Hay Endowment	10,000
Nora Greene Auxiliary Endowment Fund	76,630	Russell & Arlene Hensel	19,317
Pawan & Sudha Gupta Family	11,875	John & Margaret Hope	15,899
Jack & Doreen Gurney Memorial Fund	56,506	Daniel & Marilyn Kimmel Endowment Fund	41,727
Clifford Hanson Family	10,840	Dr & Mrs Theodore H Leggett Family	91,585
Trish & Tom Hewitt Family	10,200	Dr André & Pauline Lizotte Family	3,981
Herzog Family Endowment Fund	16,800	Karen Meades & Mike Stashin Family	10,404
Donald & Lorraine Hill Fund	946,267	Herb Nadolny Endowment	31,545
Iny Family Fund	194,137	Peter Parsons Endowment Fund	41,833
Lazar Family Endowment Fund	59,534	Primecorp Endowment	50,467
H T Macfarlane Memorial	37,983	John P & Georgina Ruddy Endowment	61,528
Gerald & Carol Morin Family Endowment	12,336	John J Sebisty Endowment Fund	101,180
Louis & Pauline Moyd	103,642	Marion Southam Memorial	50,000
E Peter Newcombe, QC Fund	35,518	Betty & Fraser Wright Memorial	271,555
George Nichols Memorial	11,094	Joseph & Inez Zelikovitz Endowment Fund	1,002,110
Nicolas Pantieras Family Fund	8,325	Yorkville Asset Management	9,000
Christopher Paterson Memorial	10,498		
Charles Polowin Fund	15,484	Education	
Peter & Canin Potentsianakis	30,000	Steven & Janet Gallant Endowment Fund	42,327
Steven Ramphos Fund	13,875	Lorry & Carol Greenberg	35,719
Michael Rooney Endowment Fund	62,372	Leacross Foundation / Roslyn Bern	
Shelley & Sidney Rothman Memorial	78,643	Fund for Bio-Medical Education	345,000
Sol & Laya Shabinsky	106,011	David & Grace Meredith Endowment	112,844
Soloway Wright LLP	30,510	Dr Evan Patrick Endowment	52,787
Renata & William Watkin Family	34,400	Howard & Doris Polk Endowment	32,168
		Donald & Audrey Williams Endowment	55,687
Equipment		Fred & Vivien Sander Endowment Fund	13,500
Anderson Endowment Fund	134,637		
J Laperriere Endowment Fund	357,298	Clinical	
		Denise Walton Endowment Fund	89,500
Patient Support		G & M Mayhew Endowment	34,890
Allen S Gertsman Memorial Fund	\$ 27,587	Fabian Stern Memorial Fund	11,747
		Malcolm & Vera Glube Family End	11,035
			<u>\$ 6,174,779</u>