

**UNIVERSITY OF OTTAWA HEART
INSTITUTE FOUNDATION**

FINANCIAL STATEMENTS

MARCH 31, 2020

**UNIVERSITY OF OTTAWA HEART
INSTITUTE FOUNDATION**

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the University of Ottawa Heart Institute Foundation (the Foundation), which comprise the statement of financial position as at March 31, 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2020, 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. 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 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 generally accepted auditing standards 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 generally accepted auditing standards, 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.



Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
June 18, 2020

UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2020

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	<u>General Fund</u>	<u>Restricted Fund</u>	<u>Endowment Fund</u>	<u>2020 Total</u>	<u>2019 Total</u>
ASSETS					
Current assets					
Cash on hand	\$ 1,902,623	\$ -	\$ -	\$ 1,902,623	\$ 2,645,514
Accounts receivable	122,874	213,004	117,158	453,036	2,603,867
Interfund receivable / (payable)	(6,328,244)	6,328,244	-	-	-
Current portion of investments (Note 5)	-	2,047,065	-	2,047,065	26,043
Prepaid expenses	4,097	40,040	-	44,137	58,922
	<u>(4,298,650)</u>	<u>8,628,353</u>	<u>117,158</u>	<u>4,446,861</u>	<u>5,334,346</u>
Investments (Note 5)	-	14,550,018	43,208,297	57,758,315	75,959,622
Intangible assets (Note 6)	-	-	-	-	8,404
Gift agreements (Note 7)	-	1,793,284	-	1,793,284	1,741,127
Research Trainee Fund (Note 8)	-	-	1,500,000	1,500,000	1,500,000
	<u>\$ (4,298,650)</u>	<u>\$ 24,971,655</u>	<u>\$ 44,825,455</u>	<u>\$ 65,498,460</u>	<u>\$ 84,543,498</u>
LIABILITIES AND FUND BALANCES					
Current liabilities					
Accounts payable and accrued liabilities	\$ 286,784	\$ 184,418	\$ 210,808	\$ 682,010	\$ 191,007
Current portion of long-term debt (Note 10)	-	939,000	-	939,000	917,000
Unrealized loss on interest rate swap (Note 10)	-	370,896	-	370,896	55,773
Deferred revenue	50,052	-	-	50,052	85,863
	<u>336,836</u>	<u>1,494,314</u>	<u>210,808</u>	<u>2,041,958</u>	<u>1,249,643</u>
Long-term liabilities					
Long-term debt (Note 10)	-	7,249,000	-	7,249,000	8,188,000
	<u>336,836</u>	<u>8,743,314</u>	<u>210,808</u>	<u>9,290,958</u>	<u>9,437,643</u>
FUND BALANCES (Note 11)	<u>(4,635,486)</u>	<u>16,228,341</u>	<u>44,614,647</u>	<u>56,207,502</u>	<u>75,105,855</u>
	<u>\$ (4,298,650)</u>	<u>\$ 24,971,655</u>	<u>\$ 44,825,455</u>	<u>\$ 65,498,460</u>	<u>\$ 84,543,498</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, 2020

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	2019	2018
REVENUE		
<i>Leadership gifts program</i>	\$ 5,577,651	\$ 4,496,211
<i>Restricted, endowed & other gifts program</i>	5,981,929	6,027,813
<i>Corporate gifts & events program</i>	1,038,534	1,197,210
<i>Direct mailout program</i>	1,859,007	1,530,757
<i>Tributes program</i>	310,878	311,158
	14,767,999	13,563,149
<i>Net investment income (loss) (Note 5)</i>	(2,180,616)	2,878,517
<i>Unrealized loss on interest rate swap (Note 10)</i>	(315,123)	(189,707)
	12,272,260	16,251,959
EXPENSE		
Administration (Page 5)	994,514	1,006,124
Fundraising activities		
<i>Capital and planned gifts program</i>	281,615	278,480
<i>Restricted, endowed and other gifts program</i>	643,980	683,876
<i>Corporate gifts and events program</i>	395,784	415,643
<i>Direct mailout program</i>	555,164	482,922
<i>Communications and marketing</i>	256,515	216,504
<i>Tributes program</i>	30,073	30,497
<i>Benefactor relations & stewardship program</i>	146,616	19,153
	2,309,747	2,127,075
	3,304,261	3,133,199
EXCESS OF REVENUE OVER EXPENSES BEFORE ALLOCATIONS	8,967,999	13,118,760
Allocations		
<i>Capital programs</i>	16,282,392	6,310,277
<i>Clinical programs</i>	650,000	250,000
<i>Education programs</i>	246,719	331,541
<i>Equipment purchases</i>	2,184,567	2,713,282
<i>Research programs</i>	8,329,632	3,478,443
<i>French programs</i>	107,413	73,526
<i>Other programs</i>	65,629	53,044
	27,866,352	13,210,113
DEFICIENCY OF REVENUE OVER EXPENSES AND ALLOCATIONS	(18,898,353)	(91,353)
FUND BALANCES		
Beginning of year	75,105,855	75,197,208
End of year	\$ 56,207,502	\$ 75,105,855

UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED MARCH 31, 2020

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	General Fund		Restricted		Endowment Fund	
	2020	2019	2020	2019	2020	2019
REVENUE						
<i>Donations and contributions</i>						
<i>Leadership contributions</i>	\$ 7,000	\$ -	\$ 5,570,651	\$ 4,496,211	\$ -	\$ -
<i>Other contributions</i>	412,938	229,286	5,228,642	5,383,734	340,349	414,793
<i>Corporate gifts and events program</i>	889,563	1,176,997	148,971	20,213	-	-
<i>Direct mailout program</i>	1,859,007	1,530,758	-	-	-	-
<i>Tributes program</i>	310,878	311,158	-	-	-	-
	<u>3,479,386</u>	<u>3,248,198</u>	<u>10,948,264</u>	<u>9,900,158</u>	<u>340,349</u>	<u>414,793</u>
<i>Net investment income (loss) (Note 5)</i>	(2,180,616)	2,878,517	-	-	-	-
<i>Unrealized loss on interest rate swap (Note 10)</i>	-	-	(315,123)	(189,707)	-	-
	<u>1,298,770</u>	<u>6,126,715</u>	<u>10,633,141</u>	<u>9,710,451</u>	<u>340,349</u>	<u>414,793</u>
EXPENSE						
Administration						
<i>Salaries and benefits</i>	428,757	510,985	-	-	-	-
<i>Professional fees</i>	47,075	42,549	-	-	-	-
<i>Office</i>	49,690	38,092	-	-	-	-
<i>Rent</i>	53,208	49,727	-	-	-	-
<i>Memberships</i>	6,249	7,452	-	-	-	-
<i>Computer supplies and maintenance</i>	174,544	103,414	-	-	-	-
<i>Staff development</i>	2,532	4,841	-	-	-	-
<i>Amortization of intangible assets</i>	8,404	14,406	-	-	-	-
<i>Fees from restricted/endowed revenue</i>	(47,075)	(60,331)	24,867	40,528	22,208	19,803
<i>Interest and fees on long-term debt</i>	-	-	217,531	223,383	-	-
<i>Other</i>	6,524	11,275	-	-	-	-
	<u>729,908</u>	<u>722,410</u>	<u>242,398</u>	<u>263,911</u>	<u>22,208</u>	<u>19,803</u>
Fundraising activities						
<i>Capital and planned gifts program</i>	281,615	278,480	-	-	-	-
<i>Restricted, endowed and other gifts program</i>	643,980	683,876	-	-	-	-
<i>Corporate gifts and events program</i>	345,897	415,643	49,887	-	-	-
<i>Direct mailout program</i>	555,164	482,922	-	-	-	-
<i>Communications and marketing</i>	256,515	216,504	-	-	-	-
<i>Tributes program</i>	30,073	30,497	-	-	-	-
<i>Benefactor relations and stewardship program</i>	146,616	19,153	-	-	-	-
	<u>2,259,860</u>	<u>2,127,075</u>	<u>49,887</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,989,768</u>	<u>2,849,485</u>	<u>292,285</u>	<u>263,911</u>	<u>22,208</u>	<u>19,803</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE ALLOCATIONS	<u>(1,690,998)</u>	<u>3,277,230</u>	<u>10,340,856</u>	<u>9,446,540</u>	<u>318,141</u>	<u>394,989</u>
Allocations						
<i>Capital programs</i>	-	-	16,282,392	6,310,277	-	-
<i>Clinical programs</i>	-	-	650,000	250,000	-	-
<i>Education programs</i>	80,000	100,000	155,369	215,106	11,350	16,435
<i>Equipment purchases</i>	-	-	2,184,567	2,713,282	-	-
<i>Research programs</i>	-	-	6,692,923	1,863,332	1,636,709	1,615,111
<i>French programs</i>	-	-	107,413	73,526	-	-
<i>Other programs</i>	-	-	65,629	53,044	-	-
	<u>80,000</u>	<u>100,000</u>	<u>26,138,293</u>	<u>11,478,567</u>	<u>1,648,059</u>	<u>1,631,546</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES AND ALLOCATIONS	<u>(1,770,998)</u>	<u>3,177,230</u>	<u>(15,797,437)</u>	<u>(2,032,026)</u>	<u>(1,329,918)</u>	<u>(1,236,556)</u>
FUND BALANCES (Note 11)						
BEGINNING OF YEAR	6,357,556	1,000,000	24,240,985	28,929,434	44,507,314	45,267,774
Interfund transfers (Note 11)	(9,222,044)	2,180,326	7,784,793	(2,656,422)	1,437,251	476,096
END OF YEAR	<u>\$ (4,635,486)</u>	<u>\$ 6,357,556</u>	<u>\$ 16,228,341</u>	<u>\$ 24,240,985</u>	<u>\$ 44,614,647</u>	<u>\$ 44,507,314</u>

UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2020

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	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
<i>Cash donations and contributions</i>	\$ 15,830,074	\$ 10,685,593
<i>Cash paid for</i>		
Administration	(480,322)	(1,134,888)
Fundraising	(2,309,747)	(2,127,075)
Restricted allocations	(27,786,352)	(18,143,783)
General allocations	(80,000)	(100,000)
	<u>(14,826,347)</u>	<u>(10,820,153)</u>
Cash flows from financing activity		
Repayment of long-term debt	<u>(917,000)</u>	<u>(895,000)</u>
Cash flows from investing activity		
Net change in investments	<u>15,000,456</u>	<u>500,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(742,891)	(11,215,153)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,645,514</u>	<u>13,860,667</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u>1,902,623</u>	\$ <u>2,645,514</u>

Cash and cash equivalents are comprised of cash.

UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2020

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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. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and to the evaluation of pledges receivable disclosed in Note 9.

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. Due to the uncertainty involved in collecting pledged donations, they are not recorded until received.

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 Endowment 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 Endowment Funds as established by the specific restrictions.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 loss on the interest rate swap.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment

Financial assets measured at cost and amortized 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.

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.

UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2020

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

3. ALLOCATED EXPENSES

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

	<u>2020</u>	<u>2019</u>
Administration	\$ 428,757	\$ 509,847
Fundraising activities:		
Leadership gifts program	211,874	180,512
Restricted, endowed and other gifts program	603,804	626,061
Corporate gifts and events program	207,147	171,574
Direct mailout program	249,886	224,695
Tributes program	13,200	13,200
Total	<u>\$ 1,714,668</u>	<u>\$ 1,725,889</u>

4. CONTRIBUTED MATERIALS AND SERVICES

During the year, the Foundation received \$1,119,812 (2019: \$595,618) of gifts in kind for which it has issued charitable receipts. Gifts of shares make up \$1,069,878 (2019: \$524,466) 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, 2020

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5. INVESTMENTS

	2020			2019		
	Cost	Market Value		Cost	Market Value	
	\$	\$	%	\$	\$	%
Current portion of investments						
Cash	2,047,065	2,047,065	3.4	26,043	26,043	0.0
Long-term investments						
Canadian Fixed Income						
Federal bonds	-	-	0.0	66,428	66,869	0.1
Provincial bonds	97,909	99,054	0.1	107,802	108,950	0.1
Corporate bonds	5,075,565	5,090,490	8.5	7,402,829	7,641,900	10.1
Income funds	13,391,500	13,516,371	22.6	11,610,586	11,966,821	15.8
	18,564,974	18,705,915	31.2	19,187,645	19,784,540	26.1
International Fixed Income	2,808,245	2,943,935	4.9	5,771,223	5,656,082	7.4
	21,373,219	21,649,850	36.1	24,958,868	25,440,622	33.5
Equities Held in Pooled Funds						
Canadian	7,001,103	5,738,556	9.6	11,465,909	10,786,855	14.2
International	-	-	0.0	2,357,584	2,609,602	3.4
Global	24,407,953	24,700,143	41.3	25,120,275	26,954,295	35.5
	31,409,056	30,438,699	50.9	38,943,768	40,350,752	53.1
Alternative Investments Held in Pooled Funds	5,070,402	5,669,766	9.6	8,212,678	10,168,247	13.4
	57,852,677	57,758,315	100.00	72,115,314	75,959,621	100.00
	59,899,742	59,805,380	100.00	72,141,357	75,985,664	100.00

UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2020

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5. INVESTMENTS (continued)

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

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 1,800,403	\$ 1,934,722
Realized gains on investments	1,106,549	938,185
Unrealized gains (losses) on investments	(4,415,797)	598,675
Management fees and transaction costs	(671,771)	(593,065)
	<u>\$ (2,180,616)</u>	<u>\$ 2,878,517</u>

6. INTANGIBLE ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net book value 2020</u>	<u>Net book value 2019</u>
Logo	\$ 28,812	\$ 28,812	\$ -	\$ 8,404

7. 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 \$2,985,000 and the maturity value of the trusts' amounts receivable is \$141,119 for a total of \$3,126,119 (2019: \$3,237,461).

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 (2019: \$2,000,000). The present value of these irrevocable gift agreements is \$1,793,284 (2019: \$1,741,127).

UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

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8. 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.

9. PLEDGES RECEIVABLE

At year end, the Foundation's outstanding pledges expected from its benefactors, and directed to the Heart Institute's Life Support Capital Project (LSCP) and other projects were as follows:

	2021	2022	2023	2024	2025	Thereafter	Total
Life Support Capital Project	\$ 3,360,043	\$ 2,404,500	\$ 2,255,840	\$ 2,240,090	\$ 1,401,007	\$ 4,353,344	\$ 16,014,824
Cardiac Surgical Robotics	100,000	100,000	100,000	-	-	-	300,000
Women's Heart Health	121,200	116,200	1,200	1,200	1,200	13,700	254,700
Magnetic Resonance Imaging	-	-	-	200,000	-	250	200,250
Research Innovation	57,143	32,143	7,143	7,143	7,143	7,143	117,858
	<u>\$ 3,638,386</u>	<u>\$ 2,652,843</u>	<u>\$ 2,364,183</u>	<u>\$ 2,448,433</u>	<u>\$ 1,409,350</u>	<u>\$ 4,374,437</u>	<u>\$ 16,887,632</u>

Due to the uncertainty involved in collecting pledged donations, the timing of collection and the exact amounts to be collected may vary from the amount pledged. The estimated future cash flows of the gift agreements described in Note 7 have been included in the pledges receivable indicated above. As indicated in the accounting policy on revenue recognition (Note 2), the pledged donations are not recorded until received.

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10. LONG-TERM DEBT AND CREDIT FACILITIES

	<u>2020</u>	<u>2019</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 ^(a)	\$ 8,188,000	\$ 9,105,000
Current portion of long-term debt	(939,000)	(917,000)
	<u>\$ 7,249,000</u>	<u>\$ 8,188,000</u>

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

2021	\$ 939,000
2022	\$ 963,000
2023	\$ 985,000
2024	\$ 1,010,000
2025	\$ 1,034,000

^(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.

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, 2020, the SWAP forward contract showed an unrealized loss of \$370,896.

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, 2020.

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.

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11. INTERFUND TRANSFERS AND INTERNALLY RESTRICTED FUNDS

During the year, the Foundation transferred a net amount of \$9,222,044 (2019: \$2,180,326) 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 \$16,228,341 is comprised of internally restricted funds in the amount of \$10,688,654 and of donor restricted funds in the amount of \$5,539,687.

12. CAPITAL DISCLOSURES

The Foundation defines capital as its unrestricted, restricted and endowment 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 Endowment 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 1.95% (2019: 1.95%), 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 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 \$21,649,850 (2019: \$25,440,622) at interest rates of 2.5%-9.9% (2019: 1.7% to 9.9%), with maturity dates ranging from May 1, 2020 to April 1, 2060 (2019: June 15, 2019 to September 29, 2050).

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, 2020, the Foundation's total investment in non-Canadian equities had a market value of \$24,700,143 (2019: \$29,563,897).

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

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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, 2019, 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, 2020.

Contributions to the plans made during the year by the Foundation on behalf of its employees amounted to \$3,224 (2019: \$4,879) for the defined contribution plan and amounted to \$117,240 (2019: \$115,714) for the HOOPP plan and are included in the statement of operations.

15. COMMITMENTS

The Foundation has entered into a lease agreement for equipment with Neopost Leasing Services Canada Limited ending March 31, 2024. Lease payments are required as follows:

March 31, 2021	\$	17,817
March 31, 2022	\$	17,817
March 31, 2023	\$	17,817
March 31, 2024	\$	17,817

The Foundation has also signed a lease agreement for office space with the Ottawa Hospital Residence Corporation ending March 31, 2021. Payments are required as follows:

March 31, 2021	\$	107,472
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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 \$56.3M against this estimated commitment, leaving a remaining commitment of \$6.7M.

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16. RELATED PARTY TRANSACTIONS, ALLOCATIONS AND BALANCES

The Heart Institute (UOHI) 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	\$	16,279,409	(2019: \$6,310,277)
Clinical programs	\$	nil	(2019: \$nil)
Equipment purchases	\$	1,482,778	(2019: \$1,840,758)

Included in accounts receivable is \$nil (2019: \$1,745,813) receivable from the University of Ottawa Heart Institute. Included in accounts payable is \$22,085 (2019: \$nil) 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	\$	650,000	(2019: \$250,000)
Equipment purchases	\$	457,775	(2019: \$676,570)
Research programs	\$	8,492,816	(2019: \$3,478,443)
Other programs	\$	1,013	(2019: \$nil)

Included in accounts payable is \$471,881 (2019: \$6,602) owing to OHIRC. This amount is non-interest bearing and has no specified terms of repayment.

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 \$100,453 (2019: \$83,656) 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.

17. SUBSEQUENT EVENTS

The recent outbreak of the coronavirus, also known as COVID-19, has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. As at June 18th, 2020, the outbreak and the related mitigation measures have had the following other impacts on the Foundation's operations, namely: additional fluctuations to the fair market value of investments, temporary cessation of all fundraising activities and therefore, a decrease in donations and fundraising' revenues. The extent to which these events may impact the Foundation's activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and, as such, the Foundation cannot determine the ultimate financial impacts at this time.

As at March 31, 2020, the investments' fair market value had decreased significantly due to the impacts of the COVID-19 pandemic on all stock markets in March 2020.

As at May 31, 2020, the Foundation's investments' fair value was estimated at \$65,153,237 by the investment manager. This represents an increase of 8.9% in the fair market value since March 31, 2020 and indicates the rebound of the stock market.

UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

**ADDITIONAL INFORMATION
FOR THE YEAR ENDED MARCH 31, 2020**

SCHEDULE A - ENDOWED FUNDS DETAILS

Endowed Chairs	Fund Balance	Endowed Research Fellowships	Fund Balance
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	1,987,150	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	\$ 137,630
Cardiac Valve Surgery Research Chair	2,080,800	Designated Funds	465,995
Strategic Research Chair	1,500,000	General Endowed Funds	<u>436,775</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; Fdn portion)	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	Total Research Fellowships	<u>8,782,900</u>
Vered Cardiology Chair	<u>2,080,800</u>	Endowed Lectureships	
Total Endowed Chairs	<u>24,295,150</u>	J. Earl Wynands Lectureship in Cardiac Anaesthesia	260,100
Named Funds		Cardiac Nursing Lectureship	260,100
refer Schedule B	<u>6,381,819</u>	Anand & Saroj Aggarwal Endowed Lectureship for South Asian Heart Health	260,100
Benefactor gifts	<u>2,813,728</u>	Sheila & Don Bayne Cardiovascular Genetics Lectureship	260,100
		Peter & Eva Foustanelas Cardiac Surgery Lectureship	260,100
		Wilbert J. Keon Lectureship	260,100
		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>
		Total Lectureships	<u>2,341,050</u>
		Total Endowed Funds	<u>\$ 44,614,647</u>

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**ADDITIONAL INFORMATION
FOR THE YEAR ENDED MARCH 31, 2020**

SCHEDULE B - NAMED FUNDS DETAILS

	Fund Balance		Fund Balance
Heart Institute Priorities		Research	
M & S Barber Family Endowment Fund	\$ 19,195	Jack & Florence Akeroyd Endowment Fund	\$ 43,317
Borden, Ladner, Gervais Endowment Fund	25,500	Don & Marion Baker Family Endowment	42,130
Nancy Bracken Watson Fund	20,300	Howard Barnes Family Endowment Fund	24,918
Arden Brooks Memorial Fund	88,005	Manjit & Jagtar Basi Family Endowment	30,000
Neta Clarke Endowment Fund	10,000	Hartwig Bauer Memorial Fund	68,960
Kevin Dee & Janice Grantham Endowment Fund	30,000	C Brown & D Piragoff Endowment Fund	10,000
George & Marion Douglas Endowment Fund	25,146	Marcia & Barry Cantor Family Endowment	20,333
Horace G Dunbar Endowment Family	46,905	Leonard & Georgette Carter Endowment	10,404
W H Eastwood Endowment Fund	95,838	Jacques & Ellen Emond Endowment Fund	67,412
Serge & Jeanne Emalyanov Endowment Fund	138,340	Firestone Family Fund in CV Genetics	85,937
Paul Faynwachs Family Endowment Fund	121,200	Mark & Sandy Goldstein Family Endowment	10,645
Eglantine & Fernand Fortin Family Fund	10,630	Doris Hay Endowment	10,000
Nora Greene Auxiliary Endowment Fund	77,370	Russell & Arlene Hensel Endowment	21,217
Pawan & Sudha Gupta Family Fund	11,875	John & Margaret Hope Endowment	15,899
Jack & Doreen Gurney Memorial Fund	56,506	Daniel & Marilyn Kimmel Endowment Fund	41,899
Clifford Hanson Family Endowment Fund	10,840	Dr & Mrs Theodore H Leggett Family Fund	91,585
Trish & Tom Hewitt Family Endowment Fund	10,200	Dr André & Pauline Lizotte Family Fund	4,161
Herzog Family Endowment Fund	25,800	Karen Meades & Mike Stashin Family Fund	10,404
Donald & Lorraine Hill Endowment Fund	946,267	Herb & Dorothy Nadolny Endowment	31,545
Iny Family Endowment Fund	221,137	Peter Parsons Endowment Fund	44,290
Lazar Family Endowment Fund	59,534	Primecorp Endowment Fund	50,635
H T Macfarlane Memorial Fund	38,983	Gul Raisinghani Memorial Fund	22,500
Gerald & Carol Morin Family Endowment	12,336	John P & Georgina Ruddy Endowment	63,629
Louis & Pauline Moyd Endowment Fund	103,643	John J Sebisty Endowment Fund	101,180
E Peter Newcombe, QC Endowment Fund	39,242	Marion Southam Memorial Fund	50,000
George Nichols Memorial Fund	11,094	Robert Stelmack Memorial Fund	73,438
Nicolas Pantieras Family Fund	8,685	Betty & Fraser Wright Memorial	271,555
Christopher Paterson Memorial	10,498	Joseph & Inez Zelikovitz Endowment Fund	1,002,110
Charles Polowin Fund	16,474	Yorkville Asset Management	9,000
Peter & Canin Potentsianakis	30,000	Education	
Steven Ramphos Fund	13,875	Steven & Janet Gallant Endowment Fund	51,325
Michael Rooney Endowment Fund	74,682	Lorry & Carol Greenberg	35,719
Shelley & Sidney Rothman Memorial	78,643	Leacross Foundation / Roslyn Bern	
Sol & Laya Shabinsky	106,299	Fund for Bio-Medical Education	345,000
Soloway Wright LLP	30,510	David & Grace Meredith Endowment	115,044
Renata & William Watkin Family	38,000	Dr Evan Patrick Endowment	61,787
Equipment		Howard & Doris Polk Endowment	32,168
Anderson Endowment Fund	134,637	Donald & Audrey Williams Endowment	55,687
J Laperriere Endowment Fund	357,298	Fred & Vivien Sander Endowment Fund	13,500
Patient Support		Clinical	
Allen S Gertsman Memorial Fund	27,613	Denise Walton Endowment Fund	89,500
		G & M Mayhew Endowment	34,890
		Fabian Stern Memorial Fund	16,726
		Malcolm & Vera Glube Family End	18,273
		Total Named Funds	\$ <u>6,381,819</u>