

Financial Statements of

**UNIVERSITY OF OTTAWA  
HEART INSTITUTE FOUNDATION**

Year ended March 31, 2022

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

## Financial Statements

Year ended March 31, 2022

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	Page
Independent Auditors' Report	1
Statement of Financial Position	4
Summary Statement of Operations and Changes in Fund Balances	5
Statement of Operations and Changes in Fund Balances	6
Statement of Cash Flows	7
Notes to Financial Statements	8



KPMG LLP  
150 Elgin Street, Suite 1800  
Ottawa ON K2P 2P8  
Canada  
Tel 613-212-5764  
Fax 613-212-2896

## INDEPENDENT AUDITORS' REPORT

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

### ***Opinion***

We have audited the financial statements of University of Ottawa Heart Institute Foundation ("the Entity"), which comprise:

- the statement of financial position as at March 31, 2022
- the statements of operations and changes in fund balances
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position the Entity as at March 31, 2022, and its results of operations, changes in fund balances 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' 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 auditors' 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

September 19, 2022

**UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2022**

				Total	
	General Fund	Restricted Fund	Endowment Fund	2022	2021
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 3,960,948	\$ 3,492,301	\$ -	\$ 7,453,249	\$ 5,691,853
Accounts receivable	74,872	5,378,351	-	5,453,223	13,408,734
Investments (Note 3)	-	3,211,148	-	3,211,148	886,636
Prepaid expenses	19,894	17,188	-	37,082	36,143
	<u>4,055,714</u>	<u>12,098,988</u>	<u>-</u>	<u>16,154,702</u>	<u>20,023,366</u>
<b>Investments (Note 3)</b>	-	37,814,166	46,413,644	84,227,810	70,223,477
<b>Capital assets (Note 4)</b>	25,086	-	-	25,086	40,930
<b>Gift agreements (Note 5)</b>	-	1,831,136	-	1,831,136	1,835,363
<b>Research trainee fund (Note 6)</b>	-	-	1,500,000	1,500,000	1,500,000
	<u>\$ 4,080,800</u>	<u>\$ 51,744,290</u>	<u>\$ 47,913,644</u>	<u>\$ 103,738,734</u>	<u>\$ 93,623,136</u>
<b>Liabilities and Fund Balances</b>					
<b>Current liabilities</b>					
Current portion of long term debt (Note 7)	\$ -	\$ 985,000	\$ -	\$ 985,000	\$ 963,000
Accounts payable and accrued liabilities	126,224	2,040,493	-	2,166,717	348,998
Interest rate swap (Note 7)	-	(98,577)	-	(98,577)	216,444
Deferred revenue	60,600	-	-	60,600	14,353
	<u>186,824</u>	<u>2,926,916</u>	<u>-</u>	<u>3,113,740</u>	<u>1,542,795</u>
<b>Long term liabilities</b>					
Long term debt (Note 7)	-	5,301,000	-	5,301,000	6,286,000
<b>Fund balances</b>	<u>3,893,976</u>	<u>43,516,374</u>	<u>47,913,644</u>	<u>95,323,994</u>	<u>85,794,341</u>
	<u>\$ 4,080,800</u>	<u>\$ 51,744,290</u>	<u>\$ 47,913,644</u>	<u>\$ 103,738,734</u>	<u>\$ 93,623,136</u>

**Commitments (Note 17)**

The accompanying notes are an integral part of these financial statements

APPROVED BY THE BOARD OF DIRECTORS

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION  
SUMMARY STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED MARCH 31, 2022

	2022	2021
<b>REVENUE</b>		
<i>Research campaign</i>	\$ 3,699,057	\$ 2,943,187
<i>Life support capital campaign</i>	1,886,915	3,758,889
<i>Restricted, endowed &amp; other gifts program</i>	11,032,304	16,131,185
<i>Corporate gifts &amp; events program</i>	738,677	764,490
<i>Direct mailout program</i>	1,952,726	2,019,086
<i>Tributes program</i>	315,582	232,112
	<b>19,625,261</b>	<b>25,848,949</b>
<i>Net investment income</i>	3,359,456	13,216,628
<i>Change in fair value on interest rate swap (Note 7)</i>	315,021	154,452
	<b>\$ 23,299,738</b>	<b>\$ 39,220,029</b>
<b>EXPENSE</b>		
<b>Administration</b>	<b>\$ 957,167</b>	<b>\$ 1,014,196</b>
<b>Fundraising activities</b>		
<i>Capital &amp; planned gifts program</i>	\$ 309,749	\$ 216,791
<i>Restricted, endowed &amp; other gifts program</i>	505,210	503,249
<i>Corporate gifts &amp; events program</i>	256,390	265,103
<i>Direct mailout program</i>	656,531	496,701
<i>Communications and marketing</i>	132,212	103,335
<i>Tributes program</i>	29,569	29,165
<i>Benefactor relations &amp; stewardship program</i>	19,365	26,376
	<b>1,909,026</b>	<b>1,640,720</b>
	<b>\$ 2,866,193</b>	<b>\$ 2,654,916</b>
<b>Excess of revenue over expenses before distributions</b>	<b>20,433,545</b>	<b>36,565,113</b>
<b>Distributions</b>		
<i>Capital programs</i>	\$ -	\$ 132,519
<i>Clinical programs</i>	200,000	150,000
<i>Education programs</i>	205,029	200,915
<i>Equipment purchases</i>	1,601,838	1,676,997
<i>Research programs</i>	8,790,442	4,716,199
<i>French programs</i>	98,254	95,582
<i>Other programs</i>	8,329	6,062
	<b>10,903,892</b>	<b>6,978,274</b>
<b>Excess of revenue over expenses</b>	<b>\$ 9,529,653</b>	<b>\$ 29,586,839</b>
<b>Fund balances</b>		
<i>Beginning of year</i>	85,794,341	56,207,502
<b>End of period</b>	<b>\$ 95,323,994</b>	<b>\$ 85,794,341</b>

The accompanying notes are an integral part of these financial statements

**UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION**  
**SUMMARY STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED MARCH 31, 2022**

	General Fund		Restricted Fund		Endowment Fund	
	2022	2021	2022	2021	2022	2021
<b>REVENUE</b>						
Research contributions	\$ -	\$ -	\$ 3,699,057	\$ 2,943,187	\$ -	\$ -
Life support contributions	-	22,000	1,886,915	3,736,889	-	-
Other contributions	496,458	1,019,439	9,998,964	14,471,548	536,882	640,198
Corporate gifts & events program	733,091	698,785	5,586	65,705	-	-
Direct mailout program	1,952,726	2,019,086	-	-	-	-
Tributes program	315,582	232,112	-	-	-	-
	<b>3,497,857</b>	<b>3,991,422</b>	<b>15,590,522</b>	<b>21,217,329</b>	<b>536,882</b>	<b>640,198</b>
Net investment income	1,235,755	3,897,810	5,331	-	2,118,370	9,318,818
Change in unrealized loss on interest rate swap (Note 7)	-	-	315,021	154,452	-	-
	<b>\$ 4,733,612</b>	<b>\$ 7,889,232</b>	<b>\$ 15,910,874</b>	<b>\$ 21,371,781</b>	<b>\$ 2,655,252</b>	<b>\$ 9,959,016</b>
<b>EXPENSE</b>						
<b>Administration</b>						
Salaries & benefits	\$ 430,820	\$ 444,019	\$ -	\$ -	\$ -	\$ -
Loan interest and fees	-	-	178,007	190,695	-	-
Professional fees	36,117	26,851	-	-	-	-
Office	77,797	42,561	-	-	-	-
Rent	59,664	59,322	-	-	-	-
Memberships	3,614	4,599	-	-	-	-
Computer	147,887	227,703	-	-	-	-
Amortization of capital assets	15,844	6,602	-	-	-	-
Charges between funds	(13,685)	(14,802)	12,082	9,402	1,603	5,400
Other	7,417	11,844	-	-	-	-
	<b>\$ 765,475</b>	<b>\$ 808,699</b>	<b>\$ 190,089</b>	<b>\$ 200,097</b>	<b>\$ 1,603</b>	<b>\$ 5,400</b>
<b>Fundraising activities</b>						
Leadership gifts program	\$ 309,749	\$ 216,791	\$ -	\$ -	\$ -	\$ -
Restricted, major & endowed gifts program	505,210	503,249	-	-	-	-
Corporate gifts & events program	256,390	263,514	-	1,589	-	-
Direct mailout program	656,531	496,701	-	-	-	-
Communications and marketing	132,212	103,335	-	-	-	-
Tributes program	29,569	29,165	-	-	-	-
Benefactor relations & stewardship program	19,365	26,376	-	-	-	-
	<b>1,909,026</b>	<b>1,639,131</b>	<b>-</b>	<b>1,589</b>	<b>-</b>	<b>-</b>
	<b>\$ 2,674,501</b>	<b>\$ 2,447,830</b>	<b>\$ 190,089</b>	<b>\$ 201,686</b>	<b>\$ 1,603</b>	<b>\$ 5,400</b>
<b>Excess of revenue over expenses before distributions</b>	<b>\$ 2,059,111</b>	<b>\$ 5,441,402</b>	<b>\$ 15,720,785</b>	<b>\$ 21,170,095</b>	<b>\$ 2,653,649</b>	<b>\$ 9,953,616</b>
<b>Distributions</b>						
Capital programs	\$ -	\$ -	\$ -	\$ 132,519	\$ -	\$ -
Clinical programs	-	-	200,000	150,000	-	-
Education programs	100,000	120,000	80,697	74,080	24,332	6,835
Equipment purchases	-	-	1,601,838	1,654,857	-	22,140
Research programs	-	-	7,055,627	2,660,357	1,734,815	2,055,842
French programs	-	-	98,254	95,582	-	-
Other programs	-	-	7,099	4,817	1,230	1,245
	<b>\$ 100,000</b>	<b>\$ 120,000</b>	<b>\$ 9,043,515</b>	<b>\$ 4,772,212</b>	<b>\$ 1,760,377</b>	<b>\$ 2,086,062</b>
<b>Excess of revenue over expenses</b>	<b>\$ 1,959,111</b>	<b>\$ 5,321,402</b>	<b>\$ 6,677,270</b>	<b>\$ 16,397,883</b>	<b>\$ 893,272</b>	<b>\$ 7,867,554</b>
<b>Fund balances</b>						
Beginning of year	1,065,533	(5,172,104)	37,199,468	16,228,341	47,529,340	45,151,265
Transfers between funds (Note 11)	869,332	916,235	(360,364)	4,573,244	(508,968)	(5,489,479)
End of period	<b>\$ 3,893,976</b>	<b>\$ 1,065,533</b>	<b>\$ 43,516,374</b>	<b>\$ 37,199,468</b>	<b>\$ 47,913,644</b>	<b>\$ 47,529,340</b>

The accompanying notes are an integral part of these financial statements

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

## Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 9,529,653	\$ 29,586,839
Amounts that do not involve cash:		
Amortization of capital assets	15,844	6,602
Change in fair value of gift agreements	4,227	(42,079)
Change in value of interest rate swap	(315,021)	(154,452)
Unrealized losses on investments	80,156	378,897
Net change in non-cash operating working capital:		
Accounts receivable	7,955,511	(12,955,698)
Prepaid expenses	(939)	7,994
Accounts payable and accrued liabilities	1,817,719	(333,012)
Deferred revenue	46,247	(35,699)
	19,133,397	16,459,392
Investing activities:		
New acquisitions of investments	(16,409,001)	(11,683,631)
Acquisitions of capital assets	–	(47,531)
	(16,409,001)	(11,731,162)
Financing activities:		
Repayment of long-term debt	(963,000)	(939,000)
Increase in cash	1,761,396	3,789,230
Cash, beginning of year	5,691,853	1,902,623
Cash, end of year	\$ 7,453,249	\$ 5,691,853

See accompanying notes to financial statements.

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2022

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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 of Canada and, as such, is exempt from income taxes and may issue donation receipts.

## 2. Significant accounting policies:

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

### (a) 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 and authorized by the Board of Directors. These transfers between funds are recorded in the statement of operations and changes in fund balances.

#### (i) Endowment fund:

The Endowment fund reports the cumulative contributions received by the Foundation which either the external donor or the Board of Directors have designated as endowment. Net investment income earned on endowments, and the distributions and transfers of this income, are reported in the Endowment fund. Net investment income earned on endowments is used to support clinical, education, equipment, research or other programs as specified by the donor, or as directed by the Board of Directors.

#### (ii) General fund:

The General fund reports the fundraising and administrative activities of the Foundation. Unrestricted contributions and unrestricted net investment income are recorded as revenue in the General fund.

#### (iii) Restricted fund:

The Restricted fund reports the restricted resources that are held or used for capital, clinical, education, equipment, research, French or other programs as specified externally by donors or internally by the Board of Directors. Restricted contributions are recognized as revenue of the Restricted fund. Distributions made to support programs, other than those funded through endowment, are recorded in the Restricted fund. The Restricted fund also reports the Foundation's long-term debt and related expenses.

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2022

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## 2. Significant accounting policies (continued):

### (b) Revenue recognition:

The Foundation follows the restricted fund method of accounting for contributions for not-for-profit organizations.

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

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 from external donors, they are not recorded until received.

Net investment income includes interest income, dividend income, income distributions from pooled funds and realized and unrealized gains (losses) on investments. Net investment income earned on Endowed investments is recorded in the Endowment fund. Net investment income earned on non-endowed investments is recorded in the General fund.

### (c) Allocated expenses:

Expenses are recognized in the year incurred and are recorded in the fund to which they are directly related.

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.

### (d) Capital assets:

Capital assets are recorded at cost. The Donor wall recognition cost is amortized on a straight-line basis over a period of three years.

### (e) 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 historical rate.

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2022

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## 2. Significant accounting policies (continued):

### (f) Financial instruments:

#### (i) *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 of its financial assets and 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 as revenue.

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 (loss) on the interest rate swap.

#### (ii) *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.

#### (iii) *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.

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2022

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## 2. Significant accounting policies (continued):

### (f) Financial instruments (continued):

#### (iv) *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 Statement of Financial Position 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 and fund balances.

### (g) 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 related discount rates.

### (h) Pension plan:

The Foundation participates in a multi-employer defined contribution 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.

### (i) 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. These estimates are reviewed annually and, as adjustments become necessary, they are reported in the periods in which they become known.

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2022

## 3. Investments:

	2022			2021		
	Cost \$	Market Value \$	%	Cost \$	Market Value \$	%
Current portion of investments:						
Cash	3,211,148	3,211,148	3.7	886,636	886,636	1.2
Long-term investments:						
Fixed income:						
Canadian	32,264,588	29,778,151	34.0	25,855,239	25,194,137	35.5
International	2,258,262	2,107,105	2.4	–	–	–
	34,522,850	31,885,256	36.4	25,855,239	25,194,137	35.5
Equities held in pooled funds:						
Canadian	14,781,552	16,688,614	19.1	13,067,338	13,716,970	19.3
International	25,980,165	25,553,175	29.2	24,635,772	24,139,632	33.9
	40,761,717	42,241,789	48.3	37,703,110	37,856,602	53.2
Alternative investments held in pooled fund	9,500,990	10,100,765	11.6	7,138,387	7,172,738	10.1
Total long-term investments	84,785,557	84,227,810	96.3	70,702,174	70,223,477	98.8
Total investments	87,996,705	87,438,958	100.0	71,583,372	71,110,113	100.0

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2022

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#### 4. Capital assets:

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Donor wall monitors	\$ 47,531	\$ 22,445	\$ 25,086	\$ 40,930

#### 5. Gift agreements:

The Foundation has been named beneficiary of irrevocable gift agreements which will result in future cash flows to the Foundation of \$2,000,000 (2020 - \$2,000,000). The actuarial present values of these irrevocable gift agreements total \$1,831,136 (2021 - \$1,835,363), which is recorded as an asset.

The Foundation has also been named beneficiary of insurance policies and trusts payable for which it is not yet entitled to the contributions. The maturity value of life insurance policies is \$1,710,000 and the maturity value of trust policies is \$167,939 for a total of \$1,877,939 (2021 - \$1,873,212). This amount is not recorded in these financial statements.

#### 6. Research trainee fund:

On April 4, 2008, the Foundation entered into an agreement with the University of Ottawa, where the Foundation and the University 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 the University. The fund shall be used exclusively for cardiac research at the University of Ottawa Heart Institute, and decisions regarding the use of the fund will be made by the Heart Institute. Should all parties agree the need for such research training be terminated; the Foundation will be entitled to receive its original capital contribution of \$1,500,000.

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2022

## 7. Long term debt and credit facilities:

	2022	2021
Term loan - fixed through a forward SWAP contract at 2.44%, maturing on January 31, 2028, payable in variable quarterly installments, principal and interest (a)	\$ 6,286,000	\$ 7,249,000
Current portion of long-term debt	(985,000)	(963,000)
	<u>\$ 5,301,000</u>	<u>\$ 6,286,000</u>

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

2023	\$ 985,000
2024	1,010,000
2025	1,034,000
2026	1,060,000
2027	1,085,000
Thereafter	1,112,000

In 2018, the Foundation entered into a fixed rate credit facility with the Royal Bank of Canada to provide up to \$10,000,000 in financing subject to the Foundation's cash flow requirements. The current balance outstanding under the facility is \$6,286,000 (2021 - \$7,249,000) The interest rate under the facility is a floating rate with an interest rate swap agreement effectively fixing the interest rate at 2.44% for the 10-year term. As of March 31, 2022, the SWAP forward contract showed an unrealized gain of \$98,577 (2021 – unrealized loss of \$216,444).

The facility is secured with a first ranking security interest in all personal property of the Foundation. It is also guaranteed by the Heart Institute in the form of a second ranking security in all of its personal property.

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2022

## 8. Endowment fund:

The Endowment fund consists of the cumulative contributions received by the Foundation which either the external donor or the Board of Directors have designated as endowment. The Foundation has established a distribution policy that constrains the amount of investment income available for distribution to 4.5% (2021 – 4.5%) of the prior year's endowment balance, subject to Board annual approval.

The net investment income earned on funds designated as endowment and restricted in purpose by the donor may be expended only for the restricted purpose. Amounts are distributed at the direction of the Board and in accordance with Foundation policies. Net investment income earned in excess of amounts distributed in the year is accumulated in the endowment fund and is available for future distribution.

For endowments which the use of the net investment income was not restricted by the donor and for Board-designated endowments, the net investment income is distributed at the direction of the Board and in accordance with the Foundation's policies. Net investment income earned in excess of amounts distributed in the year are transferred to the General fund. If the annual net investment income earned is less than the distributed amount, the General fund finances the difference through a Transfer between funds.

The Endowment balance consists of:

	2022	2021
Cumulative endowment principal:		
Externally endowed by donor	\$10,823,125	\$10,490,239
Board designated	36,467,430	36,462,924
	47,290,555	46,953,163
Cumulative undistributed restricted investment income	623,089	576,177
	\$47,913,644	\$47,529,340

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2022

## 9. Allocation of expenses:

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

	2022	2021
Administration	\$ 428,013	440,157
Fundraising activities:		
Capital and planned gifts program	225,828	156,767
Restricted, endowed and other gifts program	504,106	502,055
Corporate gifts and events program	213,781	182,873
Direct mailout program	316,104	275,792
Tributes program	13,200	13,200
	<u>\$ 1,701,032</u>	<u>\$ 1,570,844</u>

During the period, \$230,000 (2021 - \$183,650) was allocated from administration to fundraising programs.

## 10. Gifts of shares:

During the year, the Foundation received gifts of shares with a fair value of \$1,543,066 (2021 - \$887,895) included in fundraising revenue.

## 11. Interfund transfers and internally restricted funds:

During the year, the Foundation transferred amounts between the General fund, the Restricted fund and the Endowed fund. These transfers reflect investment income allocations as established by the Foundation's policies and 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 \$43,516,374 is comprised of internally restricted funds in the amount of \$21,480,901 and of donor restricted funds in the amount of \$22,035,473.

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2022

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## 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 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. Related party transactions, allocations and balances:

The University of Ottawa Heart Institute and the Ottawa Heart Institute Research Corporation are related to the Foundation by virtue of their economic interest in the Foundation holds resources that are used to benefit these entities.

a) University of Ottawa Heart Institute (OHI):

The following distributions to OHI were made in the year:

	2022	2021
Capital programs	\$ –	\$ 132,519
Equipment purchases	1,175,602	1,187,175

The Foundation has accounts payable of \$132,519 (2021 - \$132,519) owing to OHI and accounts receivable of \$5,378,000 (2021 - \$12,945,000) owing from OHI. These amounts are non-interest bearing and have no specified terms of repayment.

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2022

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## 13. Related party transactions, allocations and balances (continued):

### a) Ottawa Heart Institute Research Corporation (OHIRC)

The following distributions to OHIRC were made in the year:

	2022	2021
Clinical programs	\$ 200,000	\$ 298,422
Equipment purchases	508,070	614,255
Research programs	8,058,831	5,296,444

The Foundation has accounts payable of \$1,884,950 (2021 - \$104,873) 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 salary and benefit costs are reimbursed on a monthly basis by the Foundation. Included in accrued liabilities is \$113,364 (2021 - \$80,306) 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.

## 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, 2020, 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, 2022.

Contributions to the plans made during the year on behalf of its employees amounted to \$909 (2021 - \$1,938) for the defined contribution plan and amounted to \$115,122 (2021 - \$115,121) for the HOOPP plan and are included in the statement of operations.

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2022

## 15. Pledges receivable:

As of March 31, 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:

Outstanding Pledges due	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	After 2027	Total
Life Support Capital Project	\$ 2,442,933	\$ 1,857,892	\$ 2,442,890	\$ 336,390	\$ 618,140	\$ 2,328,780	\$ 10,027,025
Cardiac Surgical Robotics	100,000	1,000	1,000	1,000	–	–	103,000
Women's Heart Health	1,800	1,800	1,800	1,800	1,800	3,600	12,600
Magnetic Resonance Imaging	–	200,000	–	–	–	–	200,000
Research Innovation	7,143	7,143	7,143	7,143	7,143	–	35,715
	2,551,876	2,067,835	2,452,833	346,333	627,083	2,332,380	10,378,340
Research campaign	317,553	267,720	60,220	2,158,554	18,012	12,240	2,834,299
	\$ 2,869,429	\$ 2,335,555	\$ 2,513,053	\$ 2,504,887	\$ 645,095	\$ 2,344,620	\$ 13,212,639

For the year ended March 31, 2022, 97% of expected pledges were received.

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 5 have been included in the pledges receivable indicated above.

## 16. Financial instruments:

The Foundation is subject to the following risks from its financial instruments:

### (a) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Association's risk relates mainly to its accounts payable, long-term debt and commitments to fund future distributions.

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2022

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## 16. Financial instruments (continued):

### (b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Foundation is exposed to credit risk with respect to its accounts receivable. The Foundation assesses, on a continuing basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. At year-end, there were no amounts allowed for in accounts receivable.

### (c) 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. Market risk comprises of three types of risks: currency risk, interest rate risk, and other price risk. The Foundation mitigates its market 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.

#### (i) 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 interest rates. The Foundation is exposed to interest rate risk on its fixed income investments, long-term debt and the interest rate swap.

#### (ii) 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 in its investments. As of March 31, 2022, the Foundation's total investment in non-Canadian equities had a market value of \$25,553,175 (2021 - \$24,139,632).

#### (iii) Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Foundation is exposed to risk from changes in market prices due to its investments.

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2022

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## 17. 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:

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2023	\$	16,298
2024		16,298

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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 \$59.2M against this estimated commitment, leaving a remaining commitment of \$3.8M.

## 18. Comparative information:

During the 2022 fiscal year, the Foundation made changes in financial statement presentation with respect to the reporting and allocation of net investment income in the General, Restricted and Endowment funds.

In previous years, the Foundation reported all net investment income earned on investments as revenue in the General Fund and recorded the allocation of amounts to the Restricted fund and Endowment fund as transfers between funds. In addition, net investment income earned on externally restricted endowments that had not yet been distributed for use for its specified purpose was included in the General fund balance.

In the current year, the Foundation changed its financial statement presentation to report net investment income earned on endowed investments as revenue in the Endowment fund. Net investment income earned on externally restricted endowments that has not yet been distributed for use for its specified purpose is included in the Endowment fund balance. Unrestricted and undistributed net investment income earned on endowed investments is transferred to the General or Restricted fund as a transfer between funds.

The comparative information provided in the statement of operations and changes in fund balances has been adjusted to conform with the current financial statement presentation as provided in the following tables. There is no impact on the statement of financial position, summary statement of operations and changes in fund balances, and statement of cash flows from this change in financial statement presentation.

# UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2022

## 18. Comparative information (continued):

<b>Endowment Fund</b>			
<b>Statement of Operations and Changes in Fund Balances for the year ended March 31, 2021</b>	As previously reported	Adjustments	As currently reported
Net investment income	\$ –	\$ 9,318,818	\$ 9,318,818
Other	640,198	–	640,198
Revenue	640,198	9,318,818	9,959,016
Excess (deficiency) of revenue over expenses	(1,451,264)	9,318,818	7,867,554
Fund balance, beginning of year	44,614,647	536,618	45,151,265
Transfer between funds	3,418,754	(8,908,233)	(5,489,479)
Fund balance , end of year	\$ 46,582,137	\$ 947,203	\$ 47,529,340
<b>General Fund</b>			
<b>Statement of Operations and Changes in Fund Balances for the year ended March 31, 2021</b>	As previously reported	Adjustments	As currently reported
Net investment income	\$ 13,216,628	\$ (9,318,818)	\$ 3,897,810
Other	3,991,422	–	3,991,422
Revenue	17,208,050	(9,318,818)	7,889,232
Excess (deficiency) of revenue over expenses	14,640,220	(9,318,818)	5,321,402
Fund balance, beginning of year	(4,635,486)	(536,618)	(5,172,104)
Transfer between funds	(7,991,998)	8,908,233	916,235
Fund balance , end of year	\$ 2,012,736	\$ (947,203)	\$ 1,065,533

In addition, the Foundation decided to change the presentation of the statement of cash flows to the indirect method.

Certain other comparative figures have been revised to reflect the current year's financial statement presentation.