

Financial Statements of

**UNIVERSITY OF OTTAWA
HEART INSTITUTE FOUNDATION**

Year ended March 31, 2023

UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

Financial Statements

Year ended March 31, 2023

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INDEPENDENT AUDITOR'S 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, 2023
- 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, 2023, and its results of operations, its 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 “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s 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.

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.



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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 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 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

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 22, 2023

University of Ottawa Heart Institute Foundation
Statement of Financial Position
March 31, 2023

				Total	
	General Fund	Restricted Fund	Endowment Fund	2023	2022
Assets					
Current assets					
Cash	\$ 4,066,452	\$ 2,060,530	\$ -	\$ 6,126,982	\$ 7,453,249
Accounts receivable	79,362	-	-	79,362	75,223
Due from related parties (note 13)	-	-	-	-	5,378,000
Short term investments (note 3)	-	182,677	-	182,677	3,211,148
Prepaid expenses	4,273	11,243	-	15,516	37,082
	<u>4,150,087</u>	<u>2,254,450</u>	<u>-</u>	<u>6,404,537</u>	<u>16,154,702</u>
Investments (note 3)	-	25,196,323	49,023,098	74,219,421	84,227,810
Capital assets (note 4)	9,242	-	-	9,242	25,086
Gift agreements (note 5)	-	1,821,218	-	1,821,218	1,831,136
Research trainee fund (note 6)	-	-	1,500,000	1,500,000	1,500,000
	<u>\$ 4,159,329</u>	<u>\$ 29,271,991</u>	<u>\$ 50,523,098</u>	<u>\$ 83,954,418</u>	<u>\$ 103,738,734</u>
Liabilities and Fund Balances					
Current liabilities					
Current portion of long-term debt (note 7)	\$ -	\$ 1,010,000	\$ -	\$ 1,010,000	\$ 985,000
Accounts payable and accrued liabilities	21,966	2,234	-	24,200	35,884
Due to related parties (note 13)	257,061	412,896	51,217	721,174	2,130,833
Interest rate swap (note 7)	-	(235,037)	-	(235,037)	(98,577)
Deferred revenue	82,760	-	-	82,760	60,600
	<u>361,787</u>	<u>1,190,093</u>	<u>51,217</u>	<u>1,603,097</u>	<u>3,113,740</u>
Long term liabilities					
Long term debt (note 7)	-	4,291,000	-	4,291,000	5,301,000
Fund balances	<u>3,797,542</u>	<u>23,790,898</u>	<u>50,471,881</u>	<u>78,060,321</u>	<u>95,323,994</u>
	<u>\$ 4,159,329</u>	<u>\$ 29,271,991</u>	<u>\$ 50,523,098</u>	<u>\$ 83,954,418</u>	<u>\$ 103,738,734</u>

The accompanying notes are an integral part of these financial statements

James Annis

Elizabeth Roncol

University of Ottawa Heart Institute Foundation
Summary Statement of Operations and Changes in Fund Balances
Year ended March 31, 2023

	2023	2022
REVENUE		
Research contributions	\$ 6,448,407	\$ 3,699,057
Leadership contributions	1,847,220	1,886,915
Other contributions	2,640,073	11,032,304
Corporate gifts & events program	1,024,791	738,677
Direct response program	1,801,169	1,952,726
Tributes program	389,610	315,582
	14,151,270	19,625,261
Dividends and Interest income	2,506,265	1,493,056
Realized and unrealized gain (loss) on investments	(1,653,540)	1,866,400
Change in fair value interest rate swap (note 7)	136,460	315,021
	\$ 15,140,455	\$ 23,299,738
EXPENSE		
Administration	\$ 887,547	\$ 957,167
Fundraising activities		
Leadership gifts program	\$ 283,675	\$ 309,749
Restricted, major & endowed gifts program	620,394	505,210
Corporate gifts & events program	407,512	256,390
Direct mailout program	640,035	656,531
Communications & marketing	138,246	132,212
Tributes program	26,363	29,569
Benefactor relations & stewardship program	60,108	19,365
	2,176,333	1,909,026
	\$ 3,063,880	\$ 2,866,193
Available for allocation	12,076,575	20,433,545
Allocations		
Capital programs	\$ -	\$ -
Clinical programs	515,000	200,000
Education programs	345,157	205,029
Equipment purchases	2,094,946	1,601,838
Research programs	26,353,803	8,790,442
French programs	16,298	98,254
Other programs	15,044	8,329
	29,340,248	10,903,892
Net revenue (expenses) for the year	\$ (17,263,673)	\$ 9,529,653
Fund balances		
Beginning of year	95,323,994	85,794,341
Transfers between funds	-	-
End of year	\$ 78,060,321	\$ 95,323,994

The accompanying notes are an integral part of these financial statements

University of Ottawa Heart Institute Foundation
Statement of Operations and Changes in Fund Balances
Year ended March 31, 2023

	General Fund		Restricted Fund		Endowment Fund		Total	Total
	2023	2022	2023	2022	2023	2022	2023	2022
REVENUE								
Research contributions	\$ 105	\$ -	\$ 3,647,987	\$ 3,699,057	\$ 2,800,315	\$ -	\$ 6,448,407	\$ 3,699,057
Leadership contributions	-	-	1,847,220	1,886,915	-	-	1,847,220	1,886,915
Other contributions	707,615	496,458	2,633,007	9,998,964	(700,549)	536,882	2,640,073	11,032,304
Corporate gifts & events program	1,003,195	733,091	21,596	5,586	-	-	1,024,791	738,677
Direct mailout program	1,801,169	1,952,726	-	-	-	-	1,801,169	1,952,726
Tributes program	389,610	315,582	-	-	-	-	389,610	315,582
	3,901,694	3,497,857	8,149,810	15,590,522	2,099,766	536,882	14,151,270	19,625,261
Dividends and Interest income	1,351,723	557,485	-	5,331	1,154,542	930,240	2,506,265	1,493,056
Realized and unrealized gain (loss) on investments	(764,974)	678,270	-	-	(888,566)	1,188,130	(1,653,540)	1,866,400
Change in unrealized gain on interest rate swap (note 7)	-	-	136,460	315,021	-	-	136,460	315,021
	\$ 4,488,443	\$ 4,733,612	\$ 8,286,270	\$ 15,910,874	\$ 2,365,742	\$ 2,655,252	\$ 15,140,455	\$ 23,299,738
EXPENSE								
Administration								
Salaries & benefits	\$ 446,655	\$ 430,820	\$ -	\$ -	\$ -	\$ -	\$ 446,655	\$ 430,820
Loan Interest and fees	-	-	170,492	178,007	-	-	170,492	178,007
Professional fees	39,724	36,117	-	-	-	-	39,724	36,117
Office	87,454	77,797	-	-	-	-	87,454	77,797
Rent	8,871	59,664	-	-	-	-	8,871	59,664
Memberships	3,108	3,614	-	-	-	-	3,108	3,614
Relocation	762	-	-	-	-	-	762	-
Computer	100,759	147,887	-	-	-	-	100,759	147,887
Staff development	-	-	-	-	-	-	-	-
Depreciation	15,844	15,844	-	-	-	-	15,844	15,844
Fees from restricted/endowed revenue	-	(13,685)	-	12,082	-	1,603	-	-
Other	13,878	7,417	-	-	-	-	13,878	7,417
	\$ 717,055	\$ 765,475	\$ 170,492	\$ 190,089	\$ -	\$ 1,603	\$ 887,547	\$ 957,167
Fundraising activities								
Leadership gifts program	\$ 283,675	\$ 309,749	\$ -	\$ -	\$ -	\$ -	\$ 283,675	\$ 309,749
Restricted, major & endowed gifts program	620,394	505,210	-	-	-	-	620,394	505,210
Corporate gifts & events program	407,512	256,390	-	-	-	-	407,512	256,390
Direct mailout program	640,035	656,531	-	-	-	-	640,035	656,531
Communications and marketing	138,246	132,212	-	-	-	-	138,246	132,212
Tributes program	26,363	29,569	-	-	-	-	26,363	29,569
Benefactor relations & stewardship program	60,108	19,365	-	-	-	-	60,108	19,365
	2,176,333	1,909,026	-	-	-	-	2,176,333	1,909,026
	\$ 2,893,388	\$ 2,674,501	\$ 170,492	\$ 190,089	\$ -	\$ 1,603	\$ 3,063,880	\$ 2,866,193
Available for allocation	\$ 1,595,055	\$ 2,059,111	\$ 8,115,778	\$ 15,720,785	\$ 2,365,742	\$ 2,653,649	\$ 12,076,575	\$ 20,433,545
Allocations								
Capital programs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Clinical programs	-	-	512,980	200,000	2,020	-	515,000	200,000
Education programs	100,000	100,000	168,899	80,697	76,258	24,332	345,157	205,029
Equipment purchases	-	-	2,094,946	1,601,838	-	-	2,094,946	1,601,838
Research programs	-	-	24,489,655	7,055,627	1,864,148	1,734,815	26,353,803	8,790,442
French programs	-	-	16,298	98,254	-	-	16,298	98,254
Other programs	(119,335)	-	15,044	7,099	119,335	1,230	15,044	8,329
	\$ (19,335)	\$ 100,000	\$ 27,297,822	\$ 9,043,515	\$ 2,061,761	\$ 1,760,377	\$ 29,340,248	\$ 10,903,892
Net revenue (expenses) for the year	\$ 1,614,390	\$ 1,959,111	\$ (19,182,044)	\$ 6,677,270	\$ 303,981	\$ 893,272	\$ (17,263,673)	\$ 9,529,653
Fund balances								
Beginning of year	3,893,976	1,065,533	43,516,374	37,199,468	47,913,644	47,529,340	95,323,994	85,794,341
Transfers between funds	(1,710,824)	869,332	(543,432)	(360,364)	2,254,256	(508,968)	-	-
End of period	\$ 3,797,542	\$ 3,893,976	\$ 23,790,898	\$ 43,516,374	\$ 50,471,881	\$ 47,913,644	\$ 78,060,321	\$ 95,323,994

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, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$(17,263,673)	\$ 9,529,653
Amounts that do not involve cash:		
Amortization of capital assets	15,844	15,844
Change in fair value of gift agreements	9,918	4,227
Change in value of interest rate swap	(136,460)	(315,021)
Unrealized losses on investments	783,371	80,156
Change in non-cash operating working capital:		
Accounts receivable	(4,139)	(4,987)
Due from related parties	5,378,000	7,960,498
Prepaid expenses	21,566	(939)
Accounts payable and accrued liabilities	(11,684)	4,584
Due to related parties	(1,409,659)	1,813,135
Deferred revenue	22,160	46,247
	(12,594,756)	19,133,397
Investing activities:		
Disposals (acquisitions) of investments	12,253,489	(16,409,001)
Financing activities:		
Repayment of long-term debt	(985,000)	(963,000)
Increase (decrease) in cash	(1,326,267)	1,761,396
Cash, beginning of year	7,453,249	5,691,853
Cash, end of year	\$ 6,126,982	\$ 7,453,249

See accompanying notes to financial statements.

UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2023

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 ("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 the restricted fund method 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. The Restricted fund also reports the Foundation's long-term debt and related expenses.

UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

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.

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.

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, 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 under administration are reported by function, and fundraising expenses are reported by program.

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 is recorded at cost and 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 (continued)

Year ended March 31, 2023

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 and other 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 assessed for impairment on an annual basis at the end of the fiscal year if 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 to the highest 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 initial carrying value. 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 (continued)

Year ended March 31, 2023

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 plans:

The Foundation participates 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 (continued)

Year ended March 31, 2023

3. Investments:

	2023			2022		
	Cost \$	Market Value \$	%	Cost \$	Market Value \$	%
Current portion of investments:						
Cash	182,677	182,677	0.2	3,211,148	3,211,148	3.7
Long-term investments:						
Fixed income:						
Canadian	26,300,112	23,880,402	32.1	32,264,588	29,778,151	34.0
International	1,976,818	1,712,883	2.3	2,258,262	2,107,105	2.4
	28,276,930	25,593,285	34.4	34,522,850	31,885,256	36.4
Equities held in pooled funds:						
Canadian	12,077,765	12,919,310	17.4	14,781,552	16,688,614	19.1
International	22,570,184	22,043,090	29.6	25,980,165	25,553,175	29.2
	34,647,949	34,962,400	47.0	40,761,717	42,241,789	48.3
Alternative investments held in pooled fund	12,635,660	13,663,736	18.4	9,500,990	10,100,765	11.6
Total long-term investments	75,560,539	74,219,421	99.8	84,785,557	84,227,810	96.3
Total investments	75,743,216	74,402,098	100.0	87,996,705	87,438,958	100.0

UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

4. Capital assets:

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Donor wall monitors	\$ 47,531	\$ 38,289	\$ 9,242	\$ 25,086

At March 31, 2022, cost and accumulated amortization amounted to \$47,531 and \$22,445, respectively.

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 (2022 - \$2,000,000). The actuarial present values of these irrevocable gift agreements total \$1,821,218 (2022 - \$1,831,136), 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 \$157,275 for a total of \$1,870,739 (2022 - \$1,877,939). 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 Institute, and decisions regarding the use of the fund will be made by the 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 (continued)

Year ended March 31, 2023

7. Long term debt and credit facilities:

	2023	2022
Term loan - through a forward SWAP contract with a fixed rate of 2.10% plus a spread, maturing on January 31, 2028, payable in variable quarterly installments of principal and interest	\$ 5,301,000	\$ 6,286,000
Current portion of long-term debt	(1,010,000)	(985,000)
	<u>\$ 4,291,000</u>	<u>\$ 5,301,000</u>

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

2024	\$ 1,010,000
2025	1,034,000
2026	1,060,000
2027	1,085,000
2028	1,112,000

In 2017, 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 \$5,301,000 (2022 - \$6,286,000). The interest rate under the facility is a floating rate with an interest rate swap agreement effectively fixing the interest rate at 2.10% plus a spread for the 10-year term. As of March 31, 2023, the SWAP forward contract showed an unrealized gain of \$235,037 (2022 - \$98,577).

The facility is secured with a first ranking security interest in all personal property of the Foundation. It is also guaranteed by the 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 (continued)

Year ended March 31, 2023

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% (2022 - 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:

	2023	2022
Cumulative endowment principal:		
Externally endowed by donor	\$11,110,461	\$10,823,125
Board designated	38,843,902	36,467,430
	49,954,363	47,290,555
Cumulative undistributed restricted investment income	517,518	623,089
	\$50,471,881	\$47,913,644

UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

9. Allocation of expenses:

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

	2023	2022
Administration	\$ 446,655	\$ 428,013
Fundraising activities:		
Leadership gifts program	262,721	225,828
Restricted, endowed and other gifts program	603,130	504,106
Corporate gifts and events program	273,460	213,781
Direct mailout program	212,406	316,104
Tributes program	12,000	13,200
	<u>\$ 1,810,372</u>	<u>\$ 1,701,032</u>

During the period, \$361,254 (2022 - \$230,000) 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 \$1,172,196 (2022 - \$1,543,066) 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 \$23,790,898 is comprised of internally restricted funds in the amount of \$5,631,498 and of donor restricted funds in the amount of \$18,159,400.

UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

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:

The University of Ottawa Heart Institute ("Institute") and the Ottawa Heart Institute Research Corporation ("OHIRC") 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 ("Institute"):

The following distributions to Institute were made in the year:

	2023	2022
Equipment purchases	\$ 1,138,985	\$ 1,175,602

The Foundation has accounts payable of \$147,683 (2022 - \$132,519) owing to the Institute. This amount is non-interest bearing and has no specified terms of repayment. There is also an amount receivable from the Institute of \$nil (2022 - \$5,378,000).

UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

13. Related party transactions (continued):

b) Ottawa Heart Institute Research Corporation ("OHIRC")

The following distributions to OHIRC were made in the year:

	2023	2022
Clinical programs	\$ 515,000	\$ 200,000
Equipment purchases	924,685	508,070
Education programs	44,080	–
Research programs	26,310,371	8,058,831

The Foundation has accounts payable of \$308,013 (2022 - \$1,884,950) 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 \$265,478 (2022 - \$113,364) 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 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, 2022, 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.

Contributions to the plan amounted to \$138,208 (2022 - \$115,122) for the HOOPP plan and are included in the statement of operations.

UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

15. Pledges receivable:

As of March 31, the Foundation's outstanding pledges expected from its benefactors, and directed to the Institute's Life Support Capital Project ("LSCP") and other projects were as follows:

Outstanding Pledges due	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	Total
Life Support Capital Project	\$ 1,161,208	\$ 1,318,473	\$ 2,453,890	\$ 2,413,140	\$ 1,518,140	\$ 810,640	\$ 9,675,491
Cardiac Surgical Robotics	–	–	1,000	–	–	–	1,000
Women's Heart Health	74,800	71,800	71,800	71,800	71,800	71,800	433,800
Magnetic Resonance Imaging	200,000	–	–	–	–	–	200,000
Research Innovation	7,143	7,143	7,143	7,143	–	–	28,572
	1,443,151	1,397,416	2,533,833	2,492,083	1,589,940	882,440	10,338,863
Research Campaign	1,480,367	663,220	2,160,772	532,012	516,120	1,120	5,353,611
Mesana Team Chair	624,267	204,592	85,000	80,000	20,000	–	1,013,859
J Earl Wynands Chair	50,000	50,000	50,000	50,000	50,000	50,000	300,000
Nursing Excellence Chair	6,200	5,200	5,200	5,200	1,200	1,200	24,200
	\$ 3,603,985	\$ 2,320,428	\$ 4,834,805	\$ 3,159,295	\$ 2,177,260	\$ 934,760	\$17,030,533

For the year ended March 31, 2023, 92.5% (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.

UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

16. Financial risks and concentration of risk:

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 and accrued liabilities, current portion and long-term portion of debt and commitments to fund future distributions.

(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 as a result of market factors. 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 market 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. The Foundation monitors foreign equity and investment holdings on an ongoing basis with the assistance of its investment advisors. As of March 31, 2023, the Foundation's total investment in international equities and fixed income had a market value of \$23,755,973 (2022 - \$27,660,280).

UNIVERSITY OF OTTAWA HEART INSTITUTE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

16. Financial risks and concentration of risk (continued):

(c) Market risk (continued):

(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 (other than those arising from interest rate risk and currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is exposed to risk from changes in market prices due to its investments.

The Foundation's financial risks have increased during the year due to rising interest rates, inflation and market fluctuations. Management believes that these financial risks are appropriately mitigated and do not pose significant risk to the Foundation's operations. There have been no significant changes in the policies, procedures, and methods used to manage these risks in the year.

17. Commitments:

The Foundation has entered into a lease agreement for equipment with Neopost Leasing Services Canada Limited ending March 31, 2027. Lease payments are required as follows:

2024	\$	16,298
2025		16,298
2026		16,298
2027		8,149

The Foundation has pledged to contribute funds to the Institute in support of the important construction and equipment upgrade project currently underway. The Foundation's budgeted commitment was established at \$63 million for construction costs and for medical and other equipment purchases. To date, the Foundation has contributed an amount of \$60.2 million against this estimated commitment, leaving a remaining commitment of \$2.8 million.

18. Comparative information:

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