
Financial statements of Montreal Heart Institute Foundation

March 31, 2020

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Independent Auditor's Report

To the Members of the
Montreal Heart Institute Foundation

Opinion

We have audited the financial statements of the Montreal 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 (collectively referred to as the "financial statements").

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 (ASNPO).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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 ASNPO, 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 GAAS 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 GAAS, 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.

*Deloitte LLP*¹

June 8, 2020

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

Montreal Heart Institute Foundation
Statement of financial position
As at March 31, 2020

		2020			2019	
Notes	General Fund	Endowment Fund	Other Funds	Total	Total	
	\$	\$	\$	\$	\$	
Assets						
Investments	3	12,034,267	74,716,919	25,176,125	111,927,311	125,433,712
Cash		2,106,291	—	18,979	2,125,270	3,506,435
Interfund – General Fund		—	247,396*	—	—	—
Amounts due by the General Fund		—	—	1,950,879*	—	—
Accounts receivable		246,319	—	23,961	270,280	852,326
Inventories		25,771	—	—	25,771	17,367
Other assets		497,787	—	—	497,787	369,389
		14,910,435	74,964,315	27,169,944	114,846,419	130,179,229
Liabilities						
Accounts payable and accrued liabilities		3,115,508	—	681,527	3,797,035	4,105,909
Interfund – Endowment Fund		247,396*	—	—	—	—
Amounts due to the Other Funds		1,950,879*	—	—	—	—
		5,313,783	—	681,527	3,797,035	4,105,909
Commitments	9					
Fund balances						
Externally restricted	7 and 8	—	7,595,534	26,488,417	34,083,951	36,737,355
Internally restricted	7	—	67,368,781	—	67,368,781	77,193,157
Unrestricted		9,596,652	—	—	9,596,652	12,142,808
		9,596,652	74,964,315	26,488,417	111,049,384	126,073,320
		14,910,435	74,964,315	27,169,944	114,846,419	130,179,229

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

The accompanying notes are an integral part of the financial statements.

Approved by the Board

_____, Director

_____, Director

Montreal Heart Institute Foundation
Statement of operations and changes in fund balances
Year ended March 31, 2020

Notes	General Fund		Endowment Fund		Other Funds		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Donations	3,429,286	3,331,875	435,480	—	10,551,558	10,192,385	14,416,324	13,524,260
Bequests	303,642	448,090	—	11,876	1,873,821	1,287,352	2,177,463	1,747,318
Interest and dividends	2,279,603	3,503,367	—	—	609,950	882,045	2,889,553	4,385,412
Gain on disposal of investments	1,045,287	2,361,447	—	—	722,077	4,037,373	1,767,364	6,398,820
Change in the unrealized fair value of investments	(6,636,810)	(2,171,677)	—	—	(2,738,507)	(3,650,239)	(9,375,317)	(5,821,916)
Fundraising activities	2,231,049	2,282,859	—	—	—	—	2,231,049	2,282,859
	2,652,057	9,755,961	435,480	11,876	11,018,899	12,748,916	14,106,436	22,516,753
Fundraising activities								
Direct costs of fundraising activities	571,015	545,180	—	—	—	—	571,015	545,180
Indirect costs of fundraising activities	884,509	795,182	—	—	17,938	—	902,447	795,182
Operation subtotal	1,196,533	8,415,599	435,480	11,876	11,000,961	12,748,916	12,632,974	21,176,391
Expenses								
Salaries, employee benefits and other compensation	2,075,043	2,049,594	—	—	—	—	2,075,043	2,049,594
Other operating charges	319,184	212,902	—	—	—	—	319,184	212,902
	2,394,227	2,262,496	—	—	—	—	2,394,227	2,262,496
Shared expenses	(119,711)	(113,125)	—	—	119,711	113,125	—	—
	2,274,516	2,149,371	—	—	119,711	113,125	2,394,227	2,262,496
Excess (deficiency) of revenue over expenses before the contributions	(1,077,983)	6,266,228	435,480	11,876	10,881,250	12,635,791	10,238,747	18,913,895
Contributions to research and technological development and other costs	11,774,696	6,052,467	—	—	13,487,987	14,238,836	25,262,683	20,291,303
(Deficiency) excess of revenue over expenses	(12,852,679)	213,761	435,480	11,876	(2,606,737)	(1,603,045)	(15,023,936)	(1,377,408)
Fund balances, beginning of year	12,142,808	7,813,269	84,336,211	84,719,285	29,594,301	34,918,174	126,073,320	127,450,728
Transfers	10,306,523	4,115,778	(9,807,376)	(394,950)	(499,147)	(3,720,828)	—	—
Fund balances, end of year	9,596,652	12,142,808	74,964,315*	84,336,211*	26,488,417**	29,594,301**	111,049,384	126,073,320

* See Note 7

** See Note 8

The accompanying notes are an integral part of the financial statements.

Montreal Heart Institute Foundation**Statement of cash flows**

Year ended March 31, 2020

	2020	2019
	\$	\$
Operating activities		
Deficiency of revenue over expenses	(15,023,936)	(1,377,408)
Adjustments for:		
Gain on disposal of investments	(1,767,364)	(6,398,820)
Change in the unrealized fair value of investments	9,375,317	5,821,916
	(7,415,983)	(1,954,312)
Net changes in non-cash operating working capital items		
Accounts receivable	582,046	221,602
Inventories	(8,404)	(8,007)
Other assets	(128,398)	3,589
Accounts payable and accrued liabilities	(308,874)	154,449
	(7,279,613)	(1,582,679)
Investing activities		
Net change in investments	5,898,448	4,372,536
Net (decrease) increase in cash	(1,381,165)	2,789,857
Cash, beginning of year	3,506,435	716,578
Cash, end of year	2,125,270	3,506,435

The accompanying notes are an integral part of the financial statements.

Montreal Heart Institute Foundation

Notes to the financial statements

Year ended March 31, 2020

1. Status and nature of activities

The Montreal Heart Institute Foundation (the "Foundation"), incorporated under Part III of the *Companies Act* (Québec), is a charitable organization within the meaning of the *Income Tax Act* and was created to support research activities and other activities at the Montreal Heart Institute.

2. Accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Fund accounting

The Foundation uses the restricted fund method to account for its activities.

a) General Fund

The General Fund comprises unrestricted donations, bequests and other revenue, unrestricted investment income, as well as this fund's administrative and management expenses. With the exception of contributions paid by the Other Funds, contributions paid for research and technological development and other expenses are also charged to this fund. This fund reflects the unrestricted resources.

b) Endowment Fund

Investment income generated by the resources of the Endowment Fund is included in the General Fund. This fund is allocated as follows:

Externally restricted amounts – Endowment

Comprises donations that, based on the donors' instructions, must be held in perpetuity.

Internally restricted amounts – Other capital

Results from transfers from the General Fund and Other Funds. This capital, which is internally restricted, may not be used without obtaining prior consent from the board of directors.

c) Other Funds

Other Funds are made up of the Bal du Cœur Fund, the BRM campaign Fund, the Dedicated donations Fund of the BRM campaign and the Dedicated donations Fund of the annual campaign and Prevent, Take Act and Get well campaign. These funds include donations that must be allocated to special projects (the expansion and construction of specific facilities such as laboratories, the purchase of high-tech equipment and the creation of bursaries for the training of specialists), donations dedicated to purposes specified by the donor, as well as investment income from resources attached to these funds. Expenses charged to these funds, if any, include direct development expenses and a share of the General Fund expenses.

2. Accounting policies (continued)

Revenue recognition

a) Donation and bequests

Donations and bequests are recorded in the year they are received. Pledges are disclosed in a note to the financial statements and recorded in the statement of operations when they are received.

b) Gifts in kind

Gifts in kind are measured at fair value and recognized in the year they are received.

c) Interest and dividends

Interest and dividends revenue are recognized in the year they are earned.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Foundation becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for the investments, which are measured at fair value at the statement of financial position date. The fair value of the mutual funds is valued based on the fair value of the units, as determined by the fund manager. Fair value fluctuations, including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included as revenue in the statement of operations and changes in fund balances.

Transaction costs related to financial instruments measured at fair value are expensed as incurred.

With respect to financial assets measured at cost or at amortized cost, the Foundation recognizes in the statement of operations and changes in fund balances an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in the statement of operations and changes in fund balances in the period the reversal occurs.

Sharing of expenses

Expenses are recorded in the statement of operations and changes in fund balances of the General Fund and rebilled to the Other Funds in the proportion of 5% (5% in 2019) to the BRM campaign Fund.

Foreign currency translation

Foreign currency transactions are translated into Canadian dollars. Monetary assets and liabilities are translated at the exchange rates in effect at the statement of financial position date. Non-monetary assets and liabilities are translated at historical rates.

Revenue and expenses are translated at the day of transaction rate. Gains and losses on these translations are included in the change in the unrealized fair value of investments.

2. Accounting policies (continued)

Contributions for research and technological development

Contributions for research and technological development granted to the Montreal Heart Institute are recorded in the year that they are paid or become payable. Any excess of approved amounts over paid or payable amounts is reported as a commitment in a note to the financial statements.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make certain estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the period covered by the financial statements. Actual results could differ from these estimates.

3. Investments

	2020		2019	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
General Fund				
Cash with trustee	139,436	139,436	226,532	226,532
Treasury bills and other discount securities, maturing through August 2021 (August 2021 in 2019)*	69,499	69,499	101,661	101,661
Mutual funds of Canadian bonds	11,825,332	12,187,927	11,291,047	11,783,218
	12,034,267	12,396,862	11,619,240	12,111,411

Montreal Heart Institute Foundation
Notes to the financial statements
Year ended March 31, 2020

3. Investments (continued)

	2020		2019	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Endowment Fund				
Cash with trustee	27,746	27,746	121,848	121,848
Treasury bills and other discount securities, maturing through September 2020 (June 2019 in 2019)	1,154,194	1,150,607	638,298	637,855
Mutual funds of Canadian bonds	20,885,944	21,217,304	20,005,090	20,566,574
Canadian shares and mutual funds of Canadian shares	27,645,753	30,747,477	32,274,465	29,924,687
Foreign shares and mutual funds of foreign shares	24,972,183	25,966,330	28,956,310	28,402,305
	74,685,820	79,109,464	81,996,011	79,653,269
Accrued interest and dividends	31,099	31,099	26,065	26,065
	74,716,919	79,140,563	82,022,076	79,679,334
Other Funds				
Cash with trustee	42,087	42,087	48,996	48,996
Treasury bills and other discount securities, maturing through September 2020 (June 2019 in 2019)	619,583	617,784	129,762	129,698
Mutual funds of Canadian bonds	15,249,486	15,668,751	17,032,378	17,740,724
Canadian shares	4,173,631	5,402,828	7,037,012	5,633,738
Foreign shares and mutual funds of foreign shares	5,070,836	5,140,853	7,526,219	7,199,384
	25,155,623	26,872,303	31,774,367	30,752,540
Accrued interest and dividends	20,502	20,502	18,029	18,029
	25,176,125	26,892,805	31,792,396	30,770,569
Total of the Funds	111,927,311	118,430,230	125,433,712	122,561,314

* The Foundation signed three letters of guarantee totalling \$69,300 (three letters totalling \$102,200 in 2019), for which it acquired certificates of deposit of amounts totalling \$69,499 (\$101,661 in 2019). These letters of guarantee mature through August 2021 (August 2021 in 2019).

The General Fund's interest and dividends and gain on disposal of investments include revenue from resources held as endowments in an amount of \$2,901,576 (\$5,558,574 in 2019), after deduction of management fees of \$543,352 (\$477,321 in 2019). The General Fund's change in the unrealized fair value of investments also includes the portion of the loss from resources held as endowments in an amount of \$6,766,386 (\$2,398,246 in 2019).

Montreal Heart Institute Foundation
Notes to the financial statements
Year ended March 31, 2020

4. Pledges receivable

As at March 31, 2020, the Foundation held pledges for all the funds totalling \$32,706,720 and running through 2039 as follows:

	\$
2021	10,090,349
2022	6,346,851
2023	4,285,000
2024	3,314,520
2025 and thereafter	8,670,000

5. Contributions to research and technological development and other costs

	2020	2019
	\$	\$
General Fund		
Laboratories and project operations*	10,327,483	3,147,640
Equipment* (Note 11)	1,171,118	2,618,811
Prevention*	180,383	178,775
Bursaries*	57,761	76,723
Miscellaneous*	37,951	30,518
	11,774,696	6,052,467
Other Funds		
Dedicated donations*	11,332,234	8,669,768
Equipment* (Note 11)	1,607,213	787,566
Laboratories and project operations*	254,553	385,052
University chairs	—	807,500
Education*	147,481	3,411,639
Bursaries*	146,506	176,000
Miscellaneous*	—	1,311
	13,487,987	14,238,836
	25,262,683	20,291,303

* Contributions to the Montreal Heart Institute

6. Fundraising activities

	2020		
	Revenue	Expenses	Net
	\$	\$	\$
General Fund			
Bal des Vins-Cœurs	1,381,233	425,842	955,391
Montreal Auto Show Charity Preview	175,789	1,253	174,536
Golfs	168,835	773	168,062
Golf Kanawaki	111,250	12,234	99,016
Emerging Leaders Committee	117,898	42,079	75,819
Other	276,044	88,834	187,210
	2,231,049	571,015	1,660,034

Montreal Heart Institute Foundation
Notes to the financial statements
Year ended March 31, 2020

6. Fundraising activities (continued)

	2019		
	Revenue	Expenses	Net
	\$	\$	\$
General Fund			
Bal des Vins-Cœurs	1,290,103	367,276	922,827
Golfs	176,850	573	176,277
Montreal Auto Show Charity Preview	178,041	6,609	171,432
Golf Kanawaki	103,440	12,217	91,223
Travel Lottery	117,863	38,617	79,246
Emerging Leaders Committee	106,420	42,610	63,810
Other	310,142	77,278	232,864
	2,282,859	545,180	1,737,679

7. Balance of Endowment Fund

	2020		
	Endowment	Other capital	Total
	\$	\$	\$
Balance, beginning of year	7,143,054	77,193,157	84,336,211
Endowments received	435,480	—	435,480
Transfer to the General Fund*	—	(10,306,523)	(10,306,523)
Transfer from the Other Funds**	17,000	482,147	499,147
Balance, end of year	7,595,534	67,368,781	74,964,315
Consisting of:			
Externally restricted amounts			7,595,534
Internally restricted amounts			67,368,781
			74,964,315
	2019		
	Endowment	Other capital	Total
	\$	\$	\$
Balance, beginning of year	7,281,178	77,438,107	84,719,285
Endowments received	11,876	—	11,876
Transfer to the General Fund*	—	(4,215,778)	(4,215,778)
Transfer from (to) the Other Funds**	(150,000)	3,970,828	3,820,828
Balance, end of year	7,143,054	77,193,157	84,336,211
Consisting of:			
Externally restricted amounts			7,143,054
Internally restricted amounts			77,193,157
			84,336,211

* The board of directors authorized a transfer of \$10,306,523 from the Endowment Fund to the General Fund (\$4,215,778 in 2019).

** The board of directors authorized a transfer of \$499,147 from the Other Funds to the Endowment Fund (\$3,820,828 in 2019).

Montreal Heart Institute Foundation
Notes to the financial statements
Year ended March 31, 2020

8. Other Funds balances

	2020				2019
	Bal du Coeur Fund	BRM campaign Fund	Dedicated donations Fund	Total	Total
	\$	\$	\$	\$	\$
Revenue					
Donations	—	275,000	10,276,558	10,551,558	10,192,385
Bequests	—	—	1,873,821	1,873,821	1,287,352
Interest and dividends	44,133	565,817	—	609,950	882,045
Gain on disposal of investments	14,268	707,809	—	722,077	4,037,373
Change in the unrealized fair value of investments	18,796	(2,757,303)	—	(2,738,507)	(3,650,239)
	77,197	(1,208,677)	12,150,379	11,018,899	12,748,916
Fundraising activities					
Direct costs of fundraising activities	—	17,938	—	17,938	—
Operation subtotal	77,197	(1,226,615)	12,150,379	11,000,961	12,748,916
Expenses, excluding contributions	—	119,711	—	119,711	113,125
Contributions to research and technological development and other costs	115,000	2,642,022	10,730,965	13,487,987	14,238,836
	115,000	2,761,733	10,730,965	13,607,698	14,351,961
(Deficiency) excess of revenue over expenses	(37,803)	(3,988,348)	1,419,414	(2,606,737)	(1,603,045)
Balances, beginning of year	1,732,808	16,359,795	11,501,698	29,594,301	34,918,174
Transfers from (to) the Endowment Fund	(7,088)	(696,115)	204,056	(499,147)	(3,820,828)
Transfers from the General Fund	—	—	—	—	100,000
Balances, end of year	1,687,917	11,675,332	13,125,168	26,488,417	29,594,301

9. Commitments

The Foundation is committed to pay the Montreal Heart Institute amounts totalling \$29,462,045 (\$3,860,282 by the General Fund and \$25,601,763 by the Other Funds). These amounts include a commitment of \$11,545,538 for Phase II of the Montreal Heart Institute *Investir dans l'excellence* construction project.

10. Financial instruments

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

Market risk

Market risk is the risk that investments are exposed to, caused by changes in interest rates, exchange rates, stock exchange indicators and the level of volatility of these rates and indicators.

Foreign exchange risk

The Foundation held cash and investments in U.S. dollars of a total amount of CAN\$ 68,385 (CAN \$83,981 as at March 31, 2019). The Foundation is therefore exposed to foreign exchange fluctuations. The same applies to income related to these investments.

Investment policy

Funds must be managed in adherence to the principles of consistency and continuity. The principle of conservatism predominates when the investment committee is engaged in decision-making and applying strategies.

The objective is to optimize the return on the funds while considering the risk that the Foundation is prepared to assume, as well as specific constraints set out in the investment policy. Risk stems from the uncertainty inherent to several factors (loss in value of specific investments, decrease in fair value caused by financial market fluctuations, etc.), the combined actions of which could have consequences on the Foundation's ability to meet its commitments.

Return is optimized through an ideal combination of financial assets, diversification and sufficient latitude to use investment vehicles with higher return potential depending on the periods.

11. Related party transactions

Transactions conducted with the Montreal Heart Institute, which is a related party, as well as related accounts receivable and accounts payable, are presented separately in the financial statements and in the notes to the financial statements, with the exception of an amount of \$37,305 (\$116,244 in 2019) included in Accounts receivable, and an amount of \$3,144,887 (\$3,170,144 in 2019) included in Accounts payable and accrued liabilities.

Equipment in an amount of \$1,296,331 (\$1,902,789 in 2019), acquired by the Foundation during the year and remaining its property, was subject to a bargain rent with the Montreal Heart Institute over the useful life of the equipment. This equipment is presented, net of the bargain rent, as equipment contributions.

These transactions are within the normal course of operations and are measured at the exchange amount.