
Financial statements of Montreal Heart Institute Foundation

March 31, 2021

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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, 2021, 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, 2021, 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.



June 9, 2021

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

Montreal Heart Institute Foundation
Statement of financial position
As at March 31, 2021

		2021			2020	
Notes	General Fund	Endowment Fund	Other Funds	Total	Total	
	\$	\$	\$	\$	\$	
Assets						
Investments	3	12,210,200	93,499,458	30,313,329	136,022,987	111,927,311
Cash		2,458,174	—	100,495	2,558,669	2,125,270
Interfund – Endowment Fund		2,017,971*	—	—	—	—
Amounts due by the General Fund		—	—	4,887,497*	—	—
Accounts receivable		532,591	—	38,546	571,137	270,280
Inventories		11,682	—	—	11,682	25,771
Other assets		507,168	—	—	507,168	497,787
		17,737,786	93,499,458	35,339,867	139,671,643	114,846,419
Liabilities						
Accounts payable and accrued liabilities		3,400,640	—	20,066	3,420,706	3,797,035
Interfund – General Fund		—	2,017,971*	—	—	—
Amounts due to the Other Funds		4,887,497*	—	—	—	—
		8,288,137	2,017,971	20,066	3,420,706	3,797,035
Commitments	9					
Fund balances						
Externally restricted	7 and 8	—	8,037,007	35,319,801	43,356,808	34,083,951
Internally restricted	7	—	83,444,480	—	83,444,480	67,368,781
Unrestricted		9,449,649	—	—	9,449,649	9,596,652
		9,449,649	91,481,487	35,319,801	136,250,937	111,049,384
		17,737,786	93,499,458	35,339,867	139,671,643	114,846,419

* 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, 2021

	Notes	General Fund		Endowment Fund		Other Funds		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
		\$	\$	\$	\$	\$	\$	\$	\$
Revenue									
Donations		4,239,357	3,429,286	441,473	435,480	16,053,791	10,551,558	20,734,621	14,416,324
Bequests		500,000	303,642	—	—	1,704,208	1,873,821	2,204,208	2,177,463
Interest and dividends	3	2,326,509	2,279,603	—	—	594,605	609,950	2,921,114	2,889,553
Gain on disposal of investments	3	1,595,930	1,045,287	—	—	368,875	722,077	1,964,805	1,767,364
Change in the unrealized fair value of investments	3	14,964,641	(6,636,810)	—	—	4,176,485	(2,738,507)	19,141,126	(9,375,317)
Fundraising activities	6	1,022,808	2,231,049	—	—	—	—	1,022,808	2,231,049
		24,649,245	2,652,057	441,473	435,480	22,897,964	11,018,899	47,988,682	14,106,436
Fundraising activities									
Direct costs of fundraising activities	6	331,206	571,015	—	—	—	—	331,206	571,015
Indirect costs of donations and fundraising activities		1,068,003	884,509	—	—	—	17,938	1,068,003	902,447
Operational subtotal		23,250,036	1,196,533	441,473	435,480	22,897,964	11,000,961	46,589,473	12,632,974
Expenses									
Salaries, employee benefits and other compensation		2,541,378	2,075,043	—	—	—	—	2,541,378	2,075,043
Other operating charges		414,113	319,184	—	—	—	—	414,113	319,184
		2,955,491	2,394,227	—	—	—	—	2,955,491	2,394,227
Shared expenses		(103,442)	(119,711)	—	—	103,442	119,711	—	—
		2,852,049	2,274,516	—	—	103,442	119,711	2,955,491	2,394,227
Excess (deficiency) of revenue over expenses before the contributions		20,397,987	(1,077,983)	441,473	435,480	22,794,522	10,881,250	43,633,982	10,238,747
Contributions to research and technological development and other costs	5	5,225,931	11,774,696	—	—	13,206,498	13,487,987	18,432,429	25,262,683
Excess (deficiency) of revenue over expenses		15,172,056	(12,852,679)	441,473	435,480	9,588,024	(2,606,737)	25,201,553	(15,023,936)
Fund balances, beginning 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
Transfers	7 and 8	(15,319,059)	10,306,523	16,075,699	(9,807,376)	(756,640)	(499,147)	—	—
Fund balances, end of year		9,449,649	9,596,652	91,481,487*	74,964,315*	35,319,801**	26,488,417**	136,250,937	111,049,384

* 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, 2021

	2021	2020
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses	25,201,553	(15,023,936)
Adjustments for:		
Donations in shares	(1,869,815)	(628,225)
Gain on disposal of investments	(1,964,805)	(1,767,364)
Change in the unrealized fair value of investments	(19,141,126)	9,375,317
	2,225,807	(8,044,208)
Net changes in non-cash operating working capital items		
Accounts receivable	(300,857)	582,046
Inventories	14,089	(8,404)
Other assets	(9,381)	(128,398)
Accounts payable and accrued liabilities	(376,329)	(308,874)
	1,553,329	(7,907,838)
Investing activities		
Net change in investments	(1,119,930)	6,526,673
Net increase (decrease) in cash	433,399	(1,381,165)
Cash, beginning of year	2,125,270	3,506,435
Cash, end of year	2,558,669	2,125,270

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

Montreal Heart Institute Foundation

Notes to the financial statements

Year ended March 31, 2021

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

The Endowment 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 Bourses du Coeur 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 and changes in fund balances 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) Investment income

Investment income from General Fund resources is recognized at the time it is earned. Investment income from the resources of the Endowment Fund and Other Funds is recognized in the General Fund or Other Funds at the time it is earned, depending on the nature of the allocations stipulated by donors.

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 3.5% (5% in 2020) 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

	2021		2020	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
General Fund				
Cash with trustee	68,371	68,371	139,436	139,436
Treasury bills and other discount securities, maturing through August 2021	37,055	37,055	69,499	69,499
Shares	254	244	—	—
Mutual funds of Canadian bonds	12,104,520	12,741,100	11,825,332	12,187,927
	12,210,200	12,846,770	12,034,267	12,396,862

Montreal Heart Institute Foundation
Notes to the financial statements
Year ended March 31, 2021

3. Investments (continued)

	2021		2020	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Endowment Fund				
Cash with trustee	76,303	76,303	27,746	27,746
Treasury bills and other discount securities, maturing through July 2021 (September 2020 in 2020)	814,942	814,648	1,154,194	1,150,607
Mutual funds of Canadian bonds	23,031,286	23,922,527	20,885,944	21,217,304
Canadian shares and mutual funds of Canadian shares	38,197,079	32,701,258	27,645,753	30,747,477
Foreign shares and mutual funds of foreign shares	31,342,170	25,132,072	24,972,183	25,966,330
	93,461,780	82,646,808	74,685,820	79,109,464
Accrued interest and dividends	37,678	37,678	31,099	31,099
	93,499,458	82,684,486	74,716,919	79,140,563
Other Funds				
Cash with trustee	28,711	28,711	42,087	42,087
Treasury bills and other discount securities, maturing through July 2021 (September 2020 in 2020)	554,849	554,813	619,583	617,784
Mutual funds of Canadian bonds	15,614,712	16,387,650	15,249,486	15,668,751
Canadian shares	7,472,145	5,630,965	4,173,631	5,402,828
Foreign shares and mutual funds of foreign shares	6,618,723	5,227,196	5,070,836	5,140,853
	30,289,140	27,829,335	25,155,623	26,872,303
Accrued interest and dividends	24,189	24,189	20,502	20,502
	30,313,329	27,853,524	25,176,125	26,892,805
Total of the funds	136,022,987	123,384,780	111,927,311	118,430,230

The General Fund's interest and dividends and gain on disposal of investments include revenue from resources held as endowments in an amount of \$3,374,014 (\$2,901,576 in 2020), after deduction of management fees of \$556,382 (\$543,352 in 2020). The General Fund's change in the unrealized fair value of investments also includes the portion of the unrealized gain from resources held as endowments in an amount of \$15,238,616 (the portion of the unrealized loss in an amount of \$6,766,386 in 2020).

Montreal Heart Institute Foundation
Notes to the financial statements
Year ended March 31, 2021

4. Pledges receivable

As at March 31, 2021, the Foundation held pledges for all the funds totalling \$25,889,702 and running through 2039 as follows:

	\$
2022	7,259,654
2023	4,929,000
2024	3,717,048
2025	2,639,000
2026 and thereafter	7,345,000

5. Contributions to research and technological development and other costs

	2021	2020
	\$	\$
General Fund		
Laboratories and project operations	2,780,736	10,327,483
Equipment (Note 11)	2,108,428	1,171,118
Prevention	197,790	180,383
Bursaries	133,218	57,761
Miscellaneous	5,759	37,951
	5,225,931	11,774,696
Other Funds		
Dedicated donations	11,602,720	11,332,234
Equipment (Note 11)	841,418	1,607,213
Laboratories and project operations	148,063	254,553
Education	539,297	147,481
Bursaries	75,000	146,506
	13,206,498	13,487,987
	18,432,429	25,262,683

6. Fundraising activities

	2021		
	Revenue	Direct expenses	Net
	\$	\$	\$
General Fund			
Bal des Vins-Cœurs	501,203	221,912	279,291
VP Challenge	132,751	4,953	127,798
Loto Cardio	123,030	44,765	78,265
Emerging Leaders Committee	83,286	38,187	45,099
Other	182,538	21,389	161,149
	1,022,808	331,206	691,602

6. Fundraising activities (continued)

	2020		
	Revenue	Direct 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

7. Balance of Endowment Fund

	2021		
	Endowment	Other capital	Total
	\$	\$	\$
Balance, beginning of year	7,595,534	67,368,781	74,964,315
Endowments received	441,473	—	441,473
Transfer from the General Fund*	—	15,319,059	15,319,059
Transfer from the Other Funds**	—	756,640	756,640
Balance, end of year	8,037,007	83,444,480	91,481,487
Consisting of:			
Externally restricted amounts			8,037,007
Internally restricted amounts			83,444,480
			91,481,487
			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

Montreal Heart Institute Foundation
Notes to the financial statements
Year ended March 31, 2021

7. Balance of Endowment Fund (continued)

- * The board of directors authorized a transfer of \$15,319,059 from the General Fund to the Endowment Fund (\$10,306,523 from the Endowment Fund to the General Fund in 2020).
- ** The board of directors authorized a transfer of \$756,640 from the Other Funds to the Endowment Fund (\$499,147 in 2020).

8. Other Funds balances

	2021				2020
	Bourses du Cœur Fund	BRM campaign Fund	Dedicated donations Funds	Total	Total
	\$	\$	\$	\$	\$
Revenue					
Donations	200,000	200,000	15,653,791	16,053,791	10,551,558
Bequests	—	—	1,704,208	1,704,208	1,873,821
Interest and dividends	45,874	548,731	—	594,605	609,950
Gain on disposal of investments	34,804	334,071	—	368,875	722,077
Change in the unrealized fair value of investments	(39,832)	4,216,317	—	4,176,485	(2,738,507)
	240,846	5,299,119	17,357,999	22,897,964	11,018,899
Fundraising activities					
Indirect costs of donations and fundraising activities	—	—	—	—	17,938
Operational subtotal	240,846	5,299,119	17,357,999	22,897,964	11,000,961
Expenses, excluding contributions	—	103,442	—	103,442	119,711
Contributions to research and technological development and other costs	75,000	1,778,496	11,353,002	13,206,498	13,487,987
	75,000	1,881,938	11,353,002	13,309,940	13,607,698
Excess (deficiency) of revenue over expenses	165,846	3,417,181	6,004,997	9,588,024	(2,606,737)
Balances, beginning of year	1,687,917	11,675,332	13,125,168	26,488,417	29,594,301
Transfers to the Endowment Fund	(170)	(310,564)	(445,906)	(756,640)	(499,147)
Balances, end of year	1,853,593	14,781,949	18,684,259	35,319,801	26,488,417

9. Commitments

The Foundation is committed to pay the Montreal Heart Institute amounts totalling \$34,230,081 (\$4,654,495 by the General Fund and \$29,575,586 by the Other Funds). These amounts include a commitment of \$10,166,872 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 and 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 in U.S. dollars of a total amount of CAN\$605,787 (CAN\$68,385 as at March 31, 2020). 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 \$31,182 (\$37,305 in 2020) included in Accounts receivable, and an amount of \$2,501,157 (\$3,144,887 in 2020) included in Accounts payable and accrued liabilities.

Equipment in an amount of \$1,523,637 (\$1,296,331 in 2020), 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.

12. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.