
Financial statements of
Fondation de l'Hôpital du
Sacré-Cœur de Montréal

December 31, 2021

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Independent Auditor's Report

To the Members of
Fondation de l'Hôpital du Sacré-Cœur de Montréal

Opinion

We have audited the financial statements of the Fondation de l'Hôpital du Sacré-Cœur de Montréal (the "Foundation"), which comprise the statement of financial position as at December 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 December 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.

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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

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 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 performed on this other information contained in the Annual Report, 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.

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

May 24, 2022

¹ CPA auditor, public accountancy permit No. A120628

Fondation de l'Hôpital du Sacré-Cœur de Montréal
Statement of operations and changes in fund balances
For the year ended December 31, 2021

		2021					2020		
Notes	General Fund	Capital Fund	Development Fund	Endowment Fund	Specific Fund	Total	Total		
	\$	\$	\$	\$	\$	\$	\$		
Revenues									
	Contributions	3	2,067,277	—	829,738	—	1,497,885	4,394,900	4,068,227
	Investment income	4	6,507,780	—	864,941	35,247	1,816,857	9,224,825	173,818
	Fundraising activities	5	385,443	—	211,803	—	82,916	680,162	828,651
	Commercial activities	6	4,326	—	18,734	—	—	23,060	1,093,042
	Canada emergency wage subsidy		205,064	—	—	—	—	205,064	280,253
			9,169,890	—	1,925,216	35,247	3,397,658	14,528,011	6,443,991
Expenses									
	Expenses inherent to contributions	3	247,371	—	212,126	—	—	459,497	356,885
	Investment management and custody		188,894	—	—	—	—	188,894	160,501
	Fundraising activities	5	269,097	—	105,577	—	8,091	382,765	631,626
	Commercial activities	6	—	—	—	—	—	—	1,107,663
	Administration		1,294,047	—	—	—	—	1,294,047	1,191,709
	Amortization of capital assets		—	10,545	—	—	—	10,545	7,436
			1,999,409	10,545	317,703	—	8,091	2,335,748	3,455,820
	Excess (deficiency) of revenues over expenses before donations		7,170,481	(10,545)	1,607,513	35,247	3,389,567	12,192,263	2,988,171
	Donations to CIUSSS du Nord-de-l'Île-de-Montréal / Hôpital du Sacré-Cœur de Montréal and Hôpital en santé mentale Albert-Prévost		779,529	—	1,453,265	—	967,478	3,200,272	1,570,077
	Excess (deficiency) of revenues over expenses		6,390,952	(10,545)	154,248	35,247	2,422,089	8,991,991	1,418,094
	Fund balances, beginning of year		12,054,334	36,866	17,088,496	11,044,399	12,694,761	52,918,856	51,500,762
	Interfund transfers	8	(586,835)	18,036	—	568,799	—	—	—
	Fund balances, end of year		17,858,451	44,357	17,242,744	11,648,445	15,116,850	61,910,847	52,918,856

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

Fondation de l'Hôpital du Sacré-Cœur de Montréal
Statement of financial position (continued)
As at December 31, 2021

						2021	2020
Notes	General Fund	Capital Fund	Development Fund	Endowment Fund	Specific Fund	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Liabilities							
Accounts payable and accrued liabilities	11	392,338	—	—	—	392,338	1,377,006
Deferred revenues		—	—	—	—	—	31,521
Amounts due by the General Fund to other funds	12	44,008,039*	—	—	—	—	—
		44,440,377	—	—	—	392,338	1,408,527
Fund balances							
Invested in capital assets		—	44,357	—	—	44,357	36,866
Externally restricted	13	—	—	17,242,744	5,122,557	15,116,850	34,870,567
Internally restricted		—	—	—	6,525,888	6,525,888	5,957,089
Unrestricted		17,858,451	—	—	—	17,858,451	12,054,334
		17,858,451	44,357	17,242,744	11,648,445	15,116,850	61,910,847
		62,258,828	44,357	17,242,744	11,648,445	15,116,850	62,303,185

* The items are not included in the total column since they offset each other.

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

Approved by the Board of Directors


_____, Director


_____, Director

Fondation de l'Hôpital du Sacré-Cœur de Montréal**Statement of cash flows**

For the year ended December 31, 2021

	2021	2020
	\$	\$
Operating activities		
Excess of revenues over expenses	8,991,991	1,418,094
Adjustments for:		
Change in the fair value of investments	(7,769,432)	1,338,806
Amortization of capital assets	10,545	7,436
	1,233,104	2,764,336
Change in non-cash operating working capital items		
Accrued interest	26,061	(848)
Accounts receivable	211,658	(19,499)
Prepaid expenses and other assets	(41,288)	(107,918)
Accounts payable and accrued liabilities	(984,668)	(18,209)
Deferred revenues	(31,521)	12,249
	413,346	2,630,111
Investing activities		
Net change in investments	(1,467,926)	(1,500,424)
Purchase of capital assets	(18,036)	(3,543)
	(1,485,962)	(1,503,967)
Net (decrease) increase in cash	(1,072,616)	1,126,144
Cash, beginning of year	3,446,195	2,320,051
Cash, end of year	2,373,579	3,446,195

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

Fondation de l'Hôpital du Sacré-Cœur de Montréal

Notes to the financial statements

December 31, 2021

1. Statutes and nature of operations

The Fondation de l'Hôpital du Sacré-Coeur de Montréal (the "Foundation") incorporated under Part III of the *Companies Act* (Quebec), is a public foundation created to help achieve the objectives of the Centre intégré universitaire de santé et de services sociaux du Nord-de-l'Île-de-Montréal / Hôpital du Sacré-Cœur de Montréal and Hôpital en santé mentale Albert-Prévost ("Hôpital du Sacré-Cœur de Montréal"). It is recognized as a registered charity under the *Income Tax Act*.

2. Accounting policies

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

Adoption of amendments made to Section 3856, "Financial Instruments," for financial instruments originated or exchanged in a related party transaction

On January 1, 2021, the Foundation adopted amendments to Section 3856, "Financial Instruments" of the *CPA Canada Handbook* ("Section 3856") with respect to the financial instruments originated or exchanged in a related party transaction.

The amendments made to Section 3856 provide guidance on measuring a financial instrument in a related party transaction. The amendments require that such a financial instrument be initially measured at cost. Cost depends on whether or not the instrument has repayment terms. Where the financial instrument has repayment terms, cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses. Otherwise, cost is determined using the consideration transferred or received by the Foundation. Subsequent measurement depends on the initially used method and is generally at cost, less any impairment, or at fair value.

The adoption of these amendments had no material impact on the disclosures, or the amounts recognized in the Foundation's financial statements in the current period.

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions.

General Fund

The General Fund reports on the Foundation's service delivery and administration activities.

Capital Fund

The Capital Fund presents the capital assets held by the Foundation as well as the related revenues and expenses.

Development Fund

The Development Fund reports on major campaign activities and presents the resources assigned to the fundraising of major development projects at Hôpital du Sacré-Cœur de Montréal (construction, development, and medical equipment acquisition), to education, and to the awarding of research or postdoctoral scholarships.

2. Accounting policies (continued)

Fund accounting (continued)

Endowment Fund

Externally restricted

The externally restricted Endowment Fund presents resources contributed for endowment. Investment income earned on Endowment Fund resources is presented in the General Fund except in cases where instruction is provided by the contributors of the funds for endowment.

Internally restricted

The internally restricted Endowment Fund presents the amounts transferred by the General Fund's board of directors to ensure capital growth in the Endowment Fund. These amounts cannot be used without the prior consent of the board of directors, except for revenues earned on these resources that are recognized as revenue in the General Fund.

Specific Fund

The Specific Fund presents the resources assigned to project fundraising, as specified by the donors.

Revenue recognition

Contributions

Restricted contributions are recognized as revenue of the appropriate fund at the time they are collected.

Unrestricted contributions are recognized as revenue of the General Fund at the time they are collected.

Endowment contributions are recognized as revenue of the Endowment Fund at the time they are collected.

Pledges and deferred donations (bequests, life insurance, annuities, etc.) are presented in the notes to the financial statements.

Investment income

Restricted investment income earned on resources of the Endowment Fund are recognized in the Development Fund or, when stipulated by the donors, in the Endowment Fund.

Unrestricted investment income earned on resources in the Endowment Fund are recognized as revenue of the General Fund. Investment income earned on resources of the Development Fund and the Specific Fund are recognized as revenue in the respective funds. Other investment income is recognized as revenue in the General Fund.

Fundraising activities

Restricted revenue from fundraising activities is recognized as revenue in the Development Fund or the Specific Fund. Unrestricted revenue from fundraising activities is recognized as revenue in the General Fund.

2. Accounting policies (continued)

Revenue recognition (continued)

Commercial activities

Revenues from commercial activities are recognized as revenue in the General Fund, except for parking revenue, which is recognized in the Development Fund, as they are restricted to particular activities of Montreal Sacred Heart Hospital.

Allocation of expenses

The various expense categories in the statement of operations and changes in fund balances include direct expenses, except for the salaries and benefits of employees assigned to fundraising activities and communications, which are allocated between the "fundraising activities" function and the "administration" function. The allocation between the two functions is based on the time allocated to the two functions by the employees concerned.

Donations to CIUSSS du Nord-de-l'Île-de-Montréal / Hôpital du Sacré-Cœur de Montréal and Hôpital en santé mentale Albert-Prévost

Donations are approved by the board of directors and are recognized when they are paid or become payable.

Financial instruments

Initial measurement

Financial assets and financial liabilities originated or exchanged in arm's length transactions are initially recognized at fair value when the Foundation becomes a party to the contractual provisions of the financial instrument. Financial instruments originated or exchanged in related party transactions are initially measured at cost.

The cost of a financial instrument in a related party transaction depends on whether or not the instrument has repayment terms. If it does have repayment terms, cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. If it does not have repayment terms, cost is determined using the consideration transferred or received by the Foundation as part of the transaction.

Subsequent measurement

All financial instruments are measured at amortized cost, except for investments that are recognized at fair value on the reporting date. Fluctuations in fair value, which include interest earned, accrued interest, gains and losses realized upon the disposal of unrealized gains and losses, are included in investment income.

2. Accounting policies (continued)

Financial instruments (continued)

Transaction costs

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to other financial instruments are added to the carrying amount of the asset or netted against the carrying amount of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of operations and changes in fund balances as interest income or expense.

Impairment

With respect to financial assets measured at amortized cost, the Foundation recognizes an impairment loss, if any, in the statement of operations and changes in fund balances 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 is reversed to the statement of operations and changes in fund balances in the period the reversal occurs.

Capital assets

Capital assets are recorded at cost and amortized over their estimated lives using the straight-line method at the following annual rates.

Leasehold improvements	10%
Furniture	10%
Computer equipment	25%

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Fondation de l'Hôpital du Sacré-Cœur de Montréal

Notes to the financial statements

December 31, 2021

3. Contributions

	2021		
	Revenues	Expenses	Net amount
	\$	\$	\$
General Fund	2,067,277	247,371⁽¹⁾	1,819,906
Development Fund	829,738	212,126⁽²⁾	617,612
Specific Fund	1,497,885	—	1,497,885
	4,394,900	459,497	3,935,403

	2020		
	Revenues	Expenses	Net amount
	\$	\$	\$
General Fund	1,557,216	207,043 ⁽¹⁾	1,350,173
Development Fund	567,540	149,842 ⁽²⁾	417,698
Specific Fund	1,943,471	—	1,943,471
	4,068,227	356,885	3,711,342

⁽¹⁾ Direct mail campaign expenses

⁽²⁾ Expenses inherent to major campaigns

4. Investment income

	2021	2020
	\$	\$
Interest	335,254	457,617
Dividends	1,120,139	1,055,007
Change in the fair value of investments	7,769,432	(1,338,806)
	9,224,825	173,818
Allocation of investment income:		
General Fund	6,507,780	125,095
Development Fund	864,941	15,989
Endowment Fund	35,247	660
Specific Fund	1,816,857	32,074
	9,224,825	173,818

Fondation de l'Hôpital du Sacré-Cœur de Montréal

Notes to the financial statements

December 31, 2021

5. Fundraising activities

	2021		
	Revenues	Expenses	Net amount
	\$	\$	\$
General Fund			
Golf Open	151,475	67,443	84,032
Gala	35,040	75,101	(40,061)
Car show	32,292	9,719	22,573
Third-party activities	3,939	38	3,901
Wine tasting	57,252	32,685	24,567
Auction	105,445	84,111	21,334
	385,443	269,097	116,346
Development Fund			
Lottery – Employees	211,803	105,577	106,226
Specific Fund			
Third-party activities	66,811	2,912	63,899
Vélo-Onco	16,105	5,179	10,926
	82,916	8,091	74,825
	680,162	382,765	297,397
			2020
	Revenues	Expenses	Net amount
	\$	\$	\$
General Fund			
Golf Open	35,980	8,385	27,595
Gala	303,650	316,000	(12,350)
Lobster dinner	8,730	2,551	6,179
Car show	209,016	159,921	49,095
Third-party activities	7,530	—	7,530
Wine tasting	66,287	31,694	34,593
Sport challenge	—	4,701	(4,701)
	631,193	523,252	107,941
Development Fund			
Lottery – Employees	193,880	102,306	91,574
Specific Fund			
Vélo-Onco	3,578	6,068	(2,490)
	828,651	631,626	197,025

Fondation de l'Hôpital du Sacré-Cœur de Montréal

Notes to the financial statements

December 31, 2021

6. Commercial activities

		2021		
		Revenues	Expenses	Net amount
		\$	\$	\$
General Fund				
	Vending machines	4,326 *	—	4,326
Development Fund				
	Parking	18,734	—	18,734
		23,060	—	23,060

		2020		
		Revenues	Expenses	Net amount
		\$	\$	\$
General Fund				
	Vending machines	55,000 *	—	55,000
Development Fund				
	Parking	1,038,042	1,107,663 **	(69,621)
		1,093,042	1,107,663	(14,621)

* Revenues of Hôpital du Sacré-Cœur de Montréal

** Expenses incurred with the Hôpital du Sacré-Cœur de Montréal

7. Allocation of expenses

Salaries and benefits totalling \$919,778 (\$939,336 in 2020) were allocated between the "Fundraising activities" function, in an amount of \$87,723 (\$123,556 in 2020) and the "Administration" function, in an amount of \$832,055 (\$815,780 in 2020).

8. Interfund transfers

The interfund transfers made during the year were as follows:

		2021			
		General Fund	Capital Fund	Endowment Fund	Specific Fund
		\$	\$	\$	\$
Restricted for research purposes by the board of directors		(586,835)	18,036	568,799	—

Fondation de l'Hôpital du Sacré-Cœur de Montréal

Notes to the financial statements

December 31, 2021

8. Interfund transfers (continued)

	2020			
	General Fund	Capital Fund	Endowment Fund	Specific Fund
	\$	\$	\$	\$
Restricted for research purposes by the board of directors	(138,285)	3,543	134,742	—

9. Investments

	2021	2020
	\$	\$
Shares	46,650,132	30,538,683
Bonds, par value of \$8,745,000 (\$14,905,000 as at December 31, 2020), at rates varying between 0.80% and 8.90% (0.80% to 10.95% as at December 31, 2020), maturing from January 2022 to August 2027 (February 2021 to August 2027 as at December 31, 2020)	8,948,790	15,601,658
Treasury bills, maturing in May 2022 (until April 2021 as at December 31, 2020)	3,283,821	3,274,900
Cash held by the securities custodian	23,086	256,595
Other	118,056	114,691
	59,023,885	49,786,527

On a fair value basis, the allocation of bond investments as at December 31, 2021, was as follows:

	2021
	%
Canadian and provincial governments or guaranteed by them	66
Corporate	31
Municipalities	3
	100

10. Capital assets

	2021			2020
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Leasehold improvements	183,065	165,878	17,187	21,244
Furniture	74,113	63,378	10,735	12,529
Computer equipment	81,261	64,826	16,435	3,093
	338,439	294,082	44,357	36,866

11. Accounts payable and accrued liabilities

	2021	2020
	\$	\$
Accounts payable	275,952	218,827
Salaries payable	43,792	29,572
Amounts due to Hôpital du Sacré-Cœur de Montréal	72,594	1,128,607
	392,338	1,377,006

12. Amounts due by the General Fund to other funds

Amounts due by the General Fund to other funds bear interest at the rate of return realized by the General Fund on these funds.

13. Balances of externally restricted funds

The major categories of externally imposed restrictions on fund balances are as follows:

	2021	2020
	\$	\$
Development Fund	17,242,744	17,088,496
Endowment Fund		
The income of a first fund must be used to attribute research scholarships	1,000,000	1,000,000
The income of a second fund must be used as follows: 92% of the income must be used to improve direct care to patients and 8% must be added to the initial endowment	829,088	817,655
The income of a third fund must be used as follows: 92% of the income must be used to finance priority projects and 8% must be added to the initial endowment	1,976,369	1,952,555
The income of a fourth fund must be used to support cardiology research	291,100	291,100
The income of a fifth fund must be used to support orthopedic research	526,000	526,000
The income of a sixth fund must be used to support research in cardiovascular illness	500,000	500,000
	5,122,557	5,087,310
Specific Fund	15,116,850	12,694,761
	37,482,151	34,870,567

14. Related party transactions

Transactions carried out with Hôpital du Sacré-Cœur de Montréal, which is a related party given the nature of the Foundation's activities, as well as the related debit and credit balances, are presented in the financial statements or in the accompanying notes, except for an amount of \$142,993 (\$133,157 in 2020) that is included in accounts receivable. These transactions were made in the normal course of business and have been recorded at the exchange amounts.

15. Financial instruments

Due to 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 the fair value or future cash flows of the Foundation's financial instruments will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk, and other price risk. The Foundation is exposed to some of these risks as described in the following paragraphs.

a) Currency risk

The Foundation's investments in foreign currencies, mainly U.S. dollars, account for close to 38% of its portfolio as at December 31, 2021 (31% as at December 31, 2020). The Foundation is exposed to foreign exchange fluctuations. The same is true for the income related to these investments.

b) Interest rate risk

Investments in bonds and Treasury bills bear interest at fixed rates. Consequently, a change in market interest rates would have had an impact on the fair value of these investments.

c) 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 or 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 other price risk through its investments in listed shares for which the value fluctuates with the quoted market price.

Credit risk

Credit risk arises from the fact that the Foundation has investments in bonds. Specifically, there is a risk of a bond issuer not fulfilling its obligations unto the Foundation, which would have an impact on the Foundation's assets.

16. Comparative figures

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