
Financial statements of
Montreal Heart Institute Foundation

March 31, 2014

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Independent auditor's report

To the Members of the
Montreal Heart Institute Foundation

We have audited the accompanying financial statements of the Montreal Heart Institute Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2014, and the statements of operations and changes in fund balances and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2014, and the results of its activities and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP¹

June 19, 2014

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

Montreal Heart Institute Foundation

Statement of financial position

As at March 31, 2014

	Notes	General Fund	Endowment Fund	Other Funds	2014	2013
		\$	\$	\$	\$	\$
Assets						
Investments	3	9,789,403	68,869,488	41,779,119	120,438,010	107,166,127
Cash		591,575	—	357,931	949,506	596,938
Interfund – Endowment Fund		9,125,616*	—	—	—	—
Amounts due from the Other Funds and the General Fund		—	1,356,758*	3,947,636*	—	—
Accounts receivable		977,358	—	57,056	1,034,414	1,290,483
Inventories		38,527	—	—	38,527	39,817
Prepaid expenses		49,616	—	—	49,616	55,932
		20,572,095	70,226,246	46,141,742	122,510,073	109,149,297
Liabilities						
Accounts payable and accrued liabilities		1,043,732	—	991,055	2,034,787	2,413,983
Interfund – General Fund		—	9,125,616*	—	—	—
Amounts due to Other Funds and to Endowment Fund		3,947,636*	—	1,356,758*	—	—
		4,991,368	9,125,616	2,347,813	2,034,787	2,413,983
Commitments	10					
Fund balances						
Externally restricted	8 and 9	—	6,982,578	43,793,929	50,776,507	46,327,531
Internally restricted	8	—	54,118,052	—	54,118,052	46,812,993
Unrestricted		15,580,727	—	—	15,580,727	13,594,790
		15,580,727	61,100,630	43,793,929	120,475,286	106,735,314
		20,572,095	70,226,246	46,141,472	122,510,073	109,149,297

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

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

Approved by the Board

_____, Director

_____, Director

Montreal Heart Institute Foundation
Statement of operations and changes in fund balances
Year ended March 31, 2014

	Notes	General Fund		Endowment Fund		Other funds		Total	Total
		2014	2013	2014	2013	2014	2013	2014	2013
		\$	\$	\$	\$	\$	\$	\$	\$
Revenue									
Donations		2,833,203	3,006,028	300,000	—	4,963,801	4,871,321	8,097,004	7,877,349
Bequests		500,000	500,000	—	—	659,253	697,667	1,159,253	1,197,667
Interest and dividends	5	3,248,689	2,379,633	—	—	1,208,591	930,840	4,457,280	3,310,473
Gain on disposal of investments	5	1,224,842	5,767,824	—	—	997,778	978,817	2,222,620	6,746,641
Change in the unrealized fair value of investments	3	4,436,972	(2,718,735)	—	—	2,893,652	1,124,631	7,330,624	(1,594,104)
Fund-raising activities	6	2,574,775	2,393,413	—	—	1,631,973	1,549,278	4,206,748	3,942,691
		14,818,481	11,328,163	300,000	—	12,355,048	10,152,554	27,473,529	21,480,717
Fund-raising activities									
Direct cost of fund-raising activities	6	577,521	550,337	—	—	1,582,128	1,508,211	2,159,649	2,058,548
Indirect costs of fund-raising activities		663,305	628,495	—	—	35,802	30	699,107	628,525
Operation sub-total		13,577,655	10,149,331	300,000	—	10,737,118	8,644,313	24,614,773	18,793,644
Expenses									
Salaries, employee benefits and other compensation		1,545,551	1,201,598	—	—	10,800	10,800	1,556,351	1,212,398
Human resources costs		39,979	29,896	—	—	—	—	39,979	29,896
Mail, courier and other related costs		15,874	14,753	—	—	—	—	15,874	14,753
Fund raising and development		44,344	42,060	—	—	—	—	44,344	42,060
Administrative expenses		98,122	71,832	—	—	—	—	98,122	71,832
Data processing		48,259	35,074	—	—	—	—	48,259	35,074
		1,792,129	1,395,213	—	—	10,800	10,800	1,802,929	1,406,013
Shared expenses		(322,225)	(287,881)	—	—	322,225	287,881	—	—
		1,469,904	1,107,332	—	—	333,025	298,681	1,802,929	1,406,013
Excess of revenue over expenses before the contributions		12,107,751	9,041,999	300,000	—	10,404,093	8,345,632	22,811,844	17,387,631
Contributions to research and technological development and other costs	7	3,622,986	4,157,239	—	—	5,448,886	4,500,150	9,071,872	8,657,389
Excess of revenue over expenses		8,484,765	4,884,760	300,000	—	4,955,207	3,845,482	13,739,972	8,730,242
Fund balances, beginning of year		13,594,790	13,425,360	53,495,571	48,344,661	39,644,953	36,235,051	106,735,314	98,005,072
Transfers	8 and 9	(6,498,828)	(4,715,330)	7,305,059	5,150,910	(806,231)	(435,580)	—	—
Fund balances, end of year		15,580,727	13,594,790	61,100,630*	53,495,571*	43,793,929**	39,644,953**	120,475,286	106,735,314

* See Note 8

** See Note 9

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

Montreal Heart Institute Foundation
Statement of cash flows
Year ended March 31, 2014

	2014	2013
	\$	\$
Operating activities		
Excess of revenue over expenses	13,739,972	8,730,242
Adjustments		
Gain on disposal of investments	(2,222,620)	(6,746,641)
Change in the unrealized fair value of investments	(7,330,624)	1,594,104
	4,186,728	3,577,705
Net changes in non-cash operating working capital items		
Accounts receivable	256,069	(9,623)
Inventories	1,290	(19,049)
Prepaid expenses	6,316	48,459
Accounts payable and accrued liabilities	(379,196)	350,357
	4,071,207	3,947,849
Investing activities		
Net change in investments	(3,718,639)	(3,722,600)
Increase in cash	352,568	225,249
Cash, beginning of year	596,938	371,689
Cash, end of year	949,506	596,938

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

Montreal Heart Institute Foundation

Notes to the financial statements

Year ended March 31, 2014

1. Status and nature of activities

The Montreal Heart Institute Foundation (the "Foundation"), incorporated under Part III of the *Companies Act* (Quebec), 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.

i) 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.

ii) Endowment Fund

Investment income generated by the resources of the Endowment Fund is presented as income of 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. This capital, which is internally restricted, may not be used without obtaining prior consent from the Board of Directors.

iii) Other Funds

Other Funds are made up of the Bal du cœur Fund, the BRM campaign Fund, the Dedicated donations Fund and the Dedicated donations Fund of the BRM 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, 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.

Montreal Heart Institute Foundation

Notes to the financial statements

March 31, 2014

2. Accounting policies (continued)

Revenue recognition

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.

Gifts in kind

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

Interest and dividends

Interest and dividend income are recognized in the year they are earned.

Financial instruments

Financial assets and 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 and futures contracts included in investments that are not designated in a qualifying hedging relationship, which are measured at fair value at the statement of financial position date. 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. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value 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 expenses.

With respect to financial assets measured at amortized cost, the Foundation recognizes in the statement of operations 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.

Montreal Heart Institute Foundation

Notes to the financial statements

March 31, 2014

2. Accounting policies (continued)

Sharing of expenses

Expenses are recorded in the statement of operations of the General Fund and rebilled to the Other funds in the following proportions: nil (2.5% in 2013) to the "Heartfelt Choice" campaign (included in 2014 in the BRM campaign), 16.5% (17% in 2013) to the BRM campaign and 1.5% (1.5% in 2013) to the Dedicated donations Fund of the annual campaign.

Indirect costs of fund-raising activities

Indirect costs of fund-raising activities encompass 95% of the total mail costs, 80% of total advertising costs, 30% of total courier costs and 90% of total stationery costs. This breakdown was established according to the actual use of expenses for fund-raising activities.

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 average rate of exchange prevailing during the year. Gains and losses on these translations are recorded in the change in the unrealized fair value of investments.

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 the amounts of revenue and expenses during the period covered by the financial statements. Actual results could differ from these estimates.

Montreal Heart Institute Foundation

Notes to the financial statements

March 31, 2014

3. Investments and change in unrealized fair value

i) Investments

	2014		2013	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
General Fund				
Cash with trustee	33,430	33,430	29,401	29,401
Treasury bills and other discount securities, maturing through September 2016 (September 2014 in 2013)*	1,121,319	1,121,013	221,298	221,275
Bonds, face value of \$7,940,000 (\$7,310,000 in 2013), 1.413% to 10.500% (1.395% to 10.500% in 2013), maturing through March 2023 (December 2031 in 2013)**	8,340,583	8,076,058	7,927,175	7,538,326
Bond coupons, value at maturity of \$150,000, 6.510%, maturing in June 2017	141,900	121,178	138,611	113,808
Canadian shares	79,554	77,920	28,107	24,467
	9,716,786	9,429,599	8,344,592	7,927,277
Accrued interest	72,617	72,617	62,313	62,313
	9,789,403	9,502,216	8,406,905	7,989,590

Montreal Heart Institute Foundation

Notes to the financial statements

March 31, 2014

3. Investments and change in unrealized fair value (continued)

i) Investments (continued)

	2014		2013	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Endowment Fund				
Cash with trustee	998,884	999,040	781,477	781,477
Treasury bills and other discount securities, maturing through July 2014 (May 2013 in 2013)	1,608,465	1,608,096	1,139,236	1,138,593
Bonds, face value of 19,505,000 (\$15,715,000 in 2013), 1.240% to 10.125% (1.369% to 10.125% in 2013) maturing through June 2026**	19,928,851	19,140,472	17,501,029	16,514,737
Bonds coupons, value at maturity of \$1,230,000 6.510% to 6.600%, maturing through October 2021	1,082,501	1,076,228	1,059,889	1,002,930
Canadian shares and mutual funds of canadian shares	20,692,293	16,624,644	17,903,113	16,570,074
Foreign shares and mutual funds of foreign shares	21,735,569	18,191,574	18,923,050	17,458,262
Futures contracts	2,584,398	2,582,086	2,521,785	2,521,785
	68,630,961	60,222,140	59,829,579	55,987,858
Accrued interest and dividends	238,527	238,527	170,229	170,229
	68,869,488	60,460,667	59,999,808	56,158,087

Montreal Heart Institute Foundation

Notes to the financial statements

March 31, 2014

3. Investments and change in unrealized fair value (continued)

i) Investments (continued)

	2014		2013	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Other Funds				
Cash with trustee	352,509	352,545	196,637	196,637
Treasury bills and other discount securities, maturing through July 2014 (May 2013 in 2013)	694,664	694,372	3,908,588	3,908,113
Bonds, face value of \$20,195,000 (\$17,075,000 in 2013), 1.373% to 11.000% (1.369% to 11.000% in 2013), maturing through June 2026**	21,997,614	21,473,916	18,671,433	17,923,676
Canadian shares	7,711,489	5,771,559	7,061,972	6,216,564
Foreign shares and mutual funds of foreign shares	10,795,038	8,468,330	8,766,720	8,463,420
	41,551,314	36,760,722	38,605,350	36,708,410
Accrued interest and dividends	227,805	227,805	154,064	154,064
	41,779,119	36,988,527	38,759,414	36,862,474
Total	120,438,010	106,951,410	107,166,127	101,010,151

* The Foundation signed three letters of guarantee totalling \$102,100 (\$101,400 in 2013), for which it acquired certificates of deposit of equivalent amounts. These letters of guarantee mature through September 2016 (September 2015 in 2013).

** More than 89% (87% in 2013) of the bonds consist of bonds issued by the Canadian government, provincial governments and municipalities.

3. Investments and change in unrealized fair value (continued)

ii) Change in unrealized fair value

	2014	2013	Change in unrealized fair value
	\$	\$	\$
Investments at fair value	120,438,010	107,166,127	
Investments at cost	106,951,410	101,010,151	
	13,486,600	6,155,976	7,330,624

The change in unrealized fair value is presented in the statement of operations as follows:

	2014		
	General Fund	Other funds	Total
	\$	\$	\$
Change in the unrealized fair value of investments	4,436,972*	2,893,652	7,330,624
* Change in unrealized fair value of investments – General Fund	(130,128)		
Change in unrealized fair value of investments – Endowment Fund	4,567,100		
	4,436,972		

	2013		
	General Fund	Other funds	Total
	\$	\$	\$
Change in the unrealized fair value of investments	(2,718,735)*	(1,124,631)	(1,594,104)
* Change in unrealized fair value of investments – General Fund	(56,158)		
Change in unrealized fair value of investments – Endowment Fund	(2,662,577)		
	(2,718,735)		

Montreal Heart Institute Foundation

Notes to the financial statements

March 31, 2014

4. Pledges receivable

As at March 31, 2014, the Foundation held pledges for all the funds totalling \$8,098,380 and running through 2021 as follows:

	\$
2015	2,367,100
2016	2,198,100
2017	1,508,180
2018	785,000
2019 and thereafter	1,240,000

5. Interest and dividends and gain on disposal of investments

i) Interest and dividends

	General Fund*		Other Funds	
	2014	2013	2014	2013
	\$	\$	\$	\$
Interest and dividends	3,565,406	2,647,234	1,314,509	1,062,943
Management fees	(316,717)	(267,601)	(105,918)	(132,103)
	3,248,689	2,379,633	1,208,591	930,840

ii) Gain on disposal of investments

	General Fund*		Other Funds	
	2014	2013	2014	2013
	\$	\$	\$	\$
Gain on disposal of investments	1,224,842	5,767,824	997,778	978,817

* The General Fund's interest and dividends and gain on disposal of investments include revenue from resources held as endowments in an amount of \$4,290,747 (\$7,815,841 in 2013), net of management fees of \$232,244 (\$181,199 in 2013).

Montreal Heart Institute Foundation

Notes to the financial statements

March 31, 2014

6. Fund-raising activities

	2014		
	Revenue	Expenses	Net
	\$	\$	\$
General Fund			
Bal des vins-cœurs	1,483,755	366,753	1,117,002
Program Straight to the Heart	380,000	36,015	343,985
Golf Kanawaki	103,200	11,155	92,045
	1,966,955	413,923	1,553,032
Other activities			
Golf	102,800	3,064	99,736
Evening at Auberge Universel	163,155	34,138	129,017
Travel lottery	105,842	31,394	74,448
Lotomatique	1,779	—	1,779
Other	234,244	95,002	139,242
	607,820	163,598	444,222
	2,574,775	577,521	1,997,254
Other Funds			
Boutique	275,727	225,882	49,845
Parking	1,356,246	1,356,246	—
	1,631,973	1,582,128	49,845
	2013		
	Revenue	Expenses	Net
	\$	\$	\$
General Fund			
Bal des vins-cœurs	1,263,290	398,404	864,886
Program Straight to the Heart	425,806	31,769	394,037
Golf Kanawaki	111,390	15,154	96,236
	1,800,486	445,327	1,355,159
Other activities			
Golf	93,048	542	92,506
Evening at Auberge Universel	157,188	32,950	124,238
Travel lottery	102,663	35,396	67,267
Lotomatique	147,870	—	147,870
Other	92,158	36,122	56,036
	592,927	105,010	487,917
	2,393,413	550,337	1,843,076
Other Funds			
Boutique	272,386	219,319	53,067
Bal du cœur	(12,000)	—	(12,000)
Parking	1,288,892	1,288,892	—
	1,549,278	1,508,211	41,067

Montreal Heart Institute Foundation

Notes to the financial statements

March 31, 2014

7. Contributions to research and technological development and other costs

	General Fund	
	2014	2013
	\$	\$
Laboratories and project operations*	2,449,102	2,760,345
Equipment* (see Note 12)	985,603	1,231,869
Other donations	84,624	101,179
Bursaries*	79,676	67,682
Tax refund	(3,253)	(3,836)
Miscellaneous*	27,234	—
	3,622,986	4,157,239

	Other Funds	
	2014	2013
	\$	\$
Laboratories and project operations*	1,222,633	1,065,370
Equipment* (see Note 12)	1,427,441	1,886,090
Dedicated donations*	2,627,594	1,309,021
Bursaries*	106,606	60,000
Tax refund	(3,532)	(706)
Miscellaneous*	68,144	180,375
	5,448,886	4,500,150

* Contributions to the Montreal Heart Institute

Montreal Heart Institute Foundation

Notes to the financial statements

March 31, 2014

8. Balance of Endowment Fund

	2014		
	Endowment	Other capital	Total
	\$	\$	\$
Balance at beginning	6,682,578	46,812,993	53,495,571
Endowment received	300,000	—	300,000
Transfer from the General Fund*	—	6,051,416	6,051,416
Transfer from the Other Funds**	—	1,253,643	1,253,643
Balance at end	6,982,578	54,118,052	61,100,630
Consisting of			
Externally restricted amounts			6,982,578
Internally restricted amounts			54,118,052
			61,100,630

	2013		
	Endowment	Other capital	Total
	\$	\$	\$
Balance at beginning	6,682,578	41,662,083	48,344,661
Transfer from the General Fund*	—	4,715,330	4,715,330
Transfer from the Other Funds**	—	435,580	435,580
Balance at end	6,682,578	46,812,993	53,495,571
Consisting of			
Externally restricted amounts			6,682,578
Internally restricted amounts			46,812,993
			53,495,571

* The Board of Directors authorized a transfer of \$6,051,416 (\$4,715,330 in 2013) from the General Fund to the Endowment Fund.

** The Board of Directors authorized a transfer of \$1,253,643 (\$435,580 in 2013) from the Other Funds to the Endowment Fund.

Montreal Heart Institute Foundation

Notes to the financial statements

March 31, 2014

9. Other Funds balances

	Bal du coeur Fund	BRM campaign Fund	Dedicated donations Fund	2014	2013
	\$	\$	\$	\$	\$
Revenue					
Donations	—	2,729,750	2,234,051	4,963,801	4,871,321
Bequests	—	—	659,253	659,253	697,667
Interest and dividends	50,715	1,157,876	—	1,208,591	930,840
Gain on disposal of investments	14,060	983,718	—	997,778	978,817
Change in the unrealized fair value of investments	(29,996)	2,923,648	—	2,893,652	1,124,631
Fund-raising activities	—	—	1,631,973	1,631,973	1,549,278
	34,779	7,794,992	4,525,277	12,355,048	10,152,554
Fund-raising activities					
Direct cost of fund raising activities	—	—	1,582,128	1,582,128	1,508,211
Indirect costs of fund-raising activities	—	35,802	—	35,802	30
Operation sub-total	34,779	7,759,190	2,943,149	10,737,118	8,644,313
Expenses, excluding contributions	—	295,373	37,652	333,025	298,681
Contributions to research and technological development and other costs	106,606	4,454,300	887,980	5,448,886	4,500,150
	106,606	4,749,673	925,632	5,781,911	4,798,831
Excess (deficiency) of revenue over expenses	(71,827)	3,009,517	2,017,517	4,955,207	3,845,482
Balance at beginning	2,085,401	35,735,894	1,823,658	39,644,953	36,235,051
Transfers with the Endowment Fund	(864)	(998,659)	(254,120)	(1,253,643)	(435,580)
Transfers with the General Fund	—	400,320	47,092	447,412	—
Balance at end	2,012,710	38,147,072	3,634,147	43,793,929	39,644,953

Montreal Heart Institute Foundation

Notes to the financial statements

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10. Commitments

The Foundation is committed to pay the Montreal Heart Institute amounts totalling \$27,827,007 (\$3,136,172 by the General Fund and \$24,690,835 by the Other Funds). These amounts include a balance of \$23,962,346 on the maximum commitment of \$24,000,000 for Phase II of the Montreal Heart Institute *Investir dans l'excellence* construction project.

11. Financial instruments

Because of its financial assets and liabilities, 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 \$14,538,617 (\$11,944,860 in 2013). The Foundation is therefore exposed to foreign exchange fluctuations. The same applies to income related to these investments.

Credit risk

The credit risk is due to the fact that the Foundation owns bonds. Therefore, there is a credit risk that the bond issuer will be unable to pay its obligations towards the Foundation, and this will have an impact on the assets of the Foundation.

Interest rate risk

Bonds and stripped coupons bear interest at fixed rates. Consequently, fluctuations in market interest rates will affect the market value of 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, advisers, and securities custodians are engaged in decision making and applying strategies.

The objective is to optimize the return on the fund 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.

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12. 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 \$368,145 (\$392,870 in 2013) included in accounts receivable, an amount of \$1,680,212 (\$2,208,285 in 2013) included in accounts payable and accrued liabilities and an amount of \$1,356,246 (\$1,288,892 in 2013) with regard to parking included in the direct costs of fund-raising activities.

Equipment in an amount of \$2,268,576 (\$1,442,050 in 2013), 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.