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Financial statements of  
**Montreal Heart Institute Foundation**

March 31, 2016

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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, which comprise the statement of financial position as at March 31, 2016, 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 Montreal Heart Institute Foundation as at March 31, 2016, 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 LLP<sup>1</sup>

May 26, 2016

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<sup>1</sup> CPA auditor, CA, public accountancy permit No. A120628

# Montreal Heart Institute Foundation

## Statement of financial position

As at March 31, 2016

		2016				2015
Notes	General Fund	Endowment Fund	Other Funds	Total	Total	
	\$	\$	\$	\$	\$	
<b>Assets</b>						
Investments	3	10,194,471	73,386,931	43,406,583	126,987,985	131,664,833
Cash		532,561	—	170,842	703,403	1,623,089
Interfund – Endowment Fund		4,800,106*	—	—	—	—
Amounts due from the Other Funds and the General Fund		—	2,150,568*	4,855,993*	—	—
Accounts receivable		1,646,761	—	284,300	1,931,061	605,694
Inventories		32,350	—	—	32,350	27,439
Other assets		384,342	—	—	384,342	329,728
		<b>17,590,591</b>	<b>75,537,499</b>	<b>48,717,718</b>	<b>130,039,141</b>	<b>134,250,783</b>
<b>Liabilities</b>						
Accounts payable and accrued liabilities		2,465,614	—	261,532	2,727,146	1,358,301
Interfund – General Fund		—	4,800,106*	—	—	—
Amounts due to Other Funds and to Endowment Fund		4,855,993*	—	2,150,568*	—	—
		<b>7,321,607</b>	<b>4,800,106</b>	<b>2,412,100</b>	<b>2,727,146</b>	<b>1,358,301</b>
Commitments	9					
<b>Fund balances</b>						
Externally restricted	7 and 8	—	8,130,678	46,305,618	54,436,296	55,795,363
Internally restricted	7	—	62,606,715	—	62,606,715	65,391,670
Unrestricted		10,268,984	—	—	10,268,984	11,705,449
		<b>10,268,984</b>	<b>70,737,393</b>	<b>46,305,618</b>	<b>127,311,995</b>	<b>132,892,482</b>
		<b>17,590,591</b>	<b>75,537,499</b>	<b>48,717,718</b>	<b>130,039,141</b>	<b>134,250,783</b>

\* 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, 2016

	Notes	General Fund		Endowment Fund		Other Funds		Total	
		2016	2015	2016	2015	2016	2015	2016	2015
		\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>									
Donations		2,994,324	2,877,176	300,000	300,000	4,597,836	4,243,874	7,892,160	7,421,050
Bequests		500,000	500,000	150,000	398,100	224,795	233,246	874,795	1,131,346
Interest and dividends	3	2,980,420	2,478,200	—	—	1,105,140	895,804	4,085,560	3,374,004
Gain on disposal of investments	3	4,904,857	2,573,492	—	—	878,742	570,398	5,783,599	3,143,890
Change in the unrealized fair value of investments	3	(8,189,115)	2,840,930	—	—	(2,298,254)	2,189,111	(10,487,369)	5,030,041
Fund-raising activities	6	2,718,335	3,102,374	—	—	1,876,710	1,706,364	4,595,045	4,808,738
		5,908,821	14,372,172	450,000	698,100	6,384,969	9,838,797	12,743,790	24,909,069
<b>Fund-raising activities</b>									
Direct cost of fund-raising activities	6	655,526	792,596	—	—	1,836,038	1,663,032	2,491,564	2,455,628
Indirect costs of fund-raising activities		853,220	832,339	—	—	—	27,152	853,220	859,491
Operation sub-total		4,400,075	12,747,237	450,000	698,100	4,548,931	8,148,613	9,399,006	21,593,950
<b>Expenses</b>									
Salaries, employee benefits and other compensation		1,685,907	1,643,463	—	—	10,800	10,800	1,696,707	1,654,263
Human resources costs		47,552	45,960	—	—	—	—	47,552	45,960
Mail, courier and other related costs		2,992	11,022	—	—	—	—	2,992	11,022
Administrative expenses		105,167	101,338	—	—	—	—	105,167	101,338
Data processing		47,354	33,714	—	—	—	—	47,354	33,714
		1,888,972	1,835,497	—	—	10,800	10,800	1,899,772	1,846,297
Shared expenses		(377,794)	(367,099)	—	—	377,794	367,099	—	—
		1,511,178	1,468,398	—	—	388,594	377,899	1,899,772	1,846,297
Excess of revenue over expenses before the contributions		2,888,897	11,278,839	450,000	698,100	4,160,337	7,770,714	7,499,234	19,747,653
Contributions to research and technological development and other costs	5	7,705,517	4,018,069	—	—	5,374,204	3,312,388	13,079,721	7,330,457
<b>(Deficiency) excess of revenue over expenses</b>		<b>(4,816,620)</b>	<b>7,260,770</b>	<b>450,000</b>	<b>698,100</b>	<b>(1,213,867)</b>	<b>4,458,326</b>	<b>(5,580,487)</b>	<b>12,417,196</b>
Fund balances, beginning of year		11,705,449	15,580,727	73,072,348	61,100,630	48,114,685	43,793,929	132,892,482	120,475,286
Transfers	7 and 8	3,380,155	(11,136,048)	(2,784,955)	11,273,618	(595,200)	(137,570)	—	—
<b>Fund balances, end of year</b>		<b>10,268,984</b>	<b>11,705,449</b>	<b>70,737,393*</b>	<b>73,072,348*</b>	<b>46,305,618**</b>	<b>48,114,685**</b>	<b>127,311,995</b>	<b>132,892,482</b>

\* 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, 2016

	2016	2015
	\$	\$
<b>Operating activities</b>		
(Deficiency) excess of revenue over expenses	(5,580,487)	12,417,196
Adjustments		
Gain on disposal of investments	(5,783,599)	(3,143,890)
Change in the unrealized fair value of investments	10,487,369	(5,030,041)
	(876,717)	4,243,265
Net changes in non-cash operating working capital items		
Accounts receivable	(1,325,367)	428,720
Inventories	(4,911)	11,088
Other assets	(54,614)	(280,112)
Accounts payable and accrued liabilities	1,368,845	(676,486)
	(892,764)	3,726,475
<b>Investing activities</b>		
Net change in investments	(26,922)	(3,052,892)
(Decrease) increase in cash	(919,686)	673,583
Cash, beginning of year	1,623,089	949,506
<b>Cash, end of year</b>	<b>703,403</b>	<b>1,623,089</b>

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

# Montreal Heart Institute Foundation

## Notes to the financial statements

March 31, 2016

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### 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.

#### *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.

#### *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. This capital, which is internally restricted, may not be used without obtaining prior consent from the Board of Directors.

#### *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 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.



# Montreal Heart Institute Foundation

## Notes to the financial statements

March 31, 2016

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### 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 dividends 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 future 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.

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 following proportions: 19.25% (19.25% in 2015) to the BRM campaign and 0.75% (0.75% in 2015) to the Dedicated donations Fund of the annual campaign.

#### *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.

# Montreal Heart Institute Foundation

## Notes to the financial statements

March 31, 2016

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

### 3. Investments

	2016		2015	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
<b>General Fund</b>				
Cash with trustee	9,797	9,797	9,430	9,430
Treasury bills and other discount securities, maturing through January 2018 (February 2017 in 2015)*	1,484,658	1,484,228	1,000,692	1,000,305
Bonds, face value of \$7,905,000 (\$8,570,000 in 2015), 1.950% to 10.500% (1.125% to 10.500% in 2015), maturing through June 2026 (June 2024 in 2015)**	8,590,179	8,218,628	9,469,243	8,945,987
Canadian shares	23,800	24,467	25,940	24,467
	10,108,434	9,737,120	10,505,305	9,980,189
Accrued interest	86,037	86,037	83,218	83,218
	10,194,471	9,823,157	10,588,523	10,063,407

# Montreal Heart Institute Foundation

## Notes to the financial statements

March 31, 2016

### 3. Investments (continued)

	2016		2015	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
<b>Endowment Fund</b>				
Cash with trustee	145,028	145,028	1,486,792	1,486,792
Treasury bills and other discount securities, maturing through June 2016 (November 2015 in 2015)	69,977	69,943	2,412,563	2,411,784
Bonds, face value of \$11,715,000 (\$21,405,000 in 2015), 0.996% to 10.000% (1.077% to 10.125% in 2015), maturing through June 2026 (June 2026 in 2015)**	12,931,866	12,201,083	22,768,677	21,250,254
Bonds coupons, value at maturity of \$770,000 (\$1,000,000 in 2015), 6.510% to 10.125% (6.510% to 10.125% in 2015), maturing through October 2021 (October 2021 in 2015)	717,480	584,277	934,772	751,383
Canadian shares and mutual funds of Canadian shares	35,111,634	33,797,405	21,849,700	17,533,524
Foreign shares and mutual funds of foreign shares	21,547,788	20,749,840	23,407,386	18,416,447
Future contracts	2,705,524	2,705,212	3,064,028	3,061,912
	<b>73,229,297</b>	<b>70,252,788</b>	75,923,918	64,912,096
Accrued interest and dividends	157,634	157,634	250,654	250,654
	<b>73,386,931</b>	<b>70,410,422</b>	76,174,572	65,162,750

# Montreal Heart Institute Foundation

## Notes to the financial statements

March 31, 2016

### 3. Investments (continued)

	2016		2015	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
<b>Other Funds</b>				
Cash with trustee	137,724	137,724	315,604	315,604
Treasury bills and other discount securities, maturing through June 2016 (November 2015 in 2015)	2,937,702	2,937,033	2,782,863	2,781,572
Bonds, face value of \$20,105,000 (\$20,465,000 in 2015), 1.022% to 11.000% (1.077% to 11.000% in 2015), maturing through June 2026 (June 2026 in 2015)**	22,108,562	21,161,260	22,797,430	21,476,044
Canadian shares	8,039,991	6,163,679	7,453,593	4,990,550
Foreign shares and mutual funds of foreign shares	9,937,430	8,080,264	11,315,614	8,121,631
	<b>43,161,409</b>	<b>38,479,960</b>	44,665,104	37,685,401
Accrued interest and dividends	245,174	245,174	236,634	236,634
	<b>43,406,583</b>	<b>38,725,134</b>	44,901,738	37,922,035
	<b>126,987,985</b>	<b>118,958,713</b>	131,664,833	113,148,192

\* The Foundation signed three letters of guarantee totalling \$100,700 (\$101,400 in 2015), for which it acquired certificates of deposit of equivalent amounts. These letters of guarantee mature through January 2018 (August 2017 in 2015).

\*\* More than 84% (89% in 2015) of the bonds consist of bonds issued by the Canadian government, provincial governments and municipalities.

The General Fund's interest and dividends and gain on disposal of investments include revenue from resources held as endowments in an amount of \$7,714,021 (\$4,730,263 in 2015), after deduction of management fees of \$347,594 (\$260,071 in 2015). The General Fund's change in the unrealized fair value of investments also includes the portion from resources held as endowments in an amount of \$8,035,313 (\$2,603,001 in 2015).

# Montreal Heart Institute Foundation

## Notes to the financial statements

March 31, 2016

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### 4. Pledges receivable

As at March 31, 2016, the Foundation held pledges for all the funds totalling \$29,327,118 and running through 2039 as follows:

	\$
2017	6,424,189
2018	5,245,565
2019	4,630,000
2020 and thereafter	13,027,364

A \$1,500,000 pledge from the Marcelle and Jean Coutu Foundation was used to create the Marcelle and Jean Coutu Foundation's Research Chair in innovative surgical treatments for heart failure of Université de Montréal at the Montreal Heart Institute. As at March 31, 2016, an amount of \$600,000 from that pledge has been received. The balance of \$900,000 is receivable over a period ending in 2019.

### 5. Contributions to research and technological development and other costs

	<b>General Fund</b>	
	<b>2016</b>	<b>2015</b>
	\$	\$
Laboratories and project operations*	<b>2,723,752</b>	2,770,517
Equipment* (Note 11)	<b>4,677,916</b>	775,855
Other donations*	<b>170,936</b>	399,457
Bursaries*	<b>106,780</b>	72,240
Miscellaneous	<b>26,133</b>	—
	<b>7,705,517</b>	4,018,069

  

	<b>Other Funds</b>	
	<b>2016</b>	<b>2015</b>
	\$	\$
Equipment* (Note 11)	<b>63,651</b>	450,953
Dedicated donations*	<b>4,937,517</b>	2,528,459
Bursaries*	<b>101,000</b>	45,000
Miscellaneous*	<b>272,036</b>	287,976
	<b>5,374,204</b>	3,312,388

\* Contributions to the Montreal Heart Institute

# Montreal Heart Institute Foundation

## Notes to the financial statements

March 31, 2016

### 6. Fund-raising activities

	2016		
	Revenue	Expenses	Net
	\$	\$	\$
<b>General Fund</b>			
Bal des vins-cœurs	1,656,357	396,106	1,260,251
Evening Cœur Universel	229,315	49,475	179,840
Golfs	131,865	200	131,665
Montreal International Auto Show Charity Preview	135,279	22,121	113,158
Golf Kanawaki	117,420	10,092	107,328
Travel lottery	112,702	35,146	77,556
Emerging Leaders Committee	100,390	49,030	51,360
Other	235,007	93,356	141,651
	<b>2,718,335</b>	<b>655,526</b>	<b>2,062,809</b>
<b>Other Funds</b>			
Boutique	243,002	202,330	40,672
Parking	1,633,708	1,633,708	—
	<b>1,876,710</b>	<b>1,836,038</b>	<b>40,672</b>
2015			
	Revenue	Expenses	Net
	\$	\$	\$
<b>General Fund</b>			
Bal des vins-cœurs	1,567,383	429,418	1,137,965
Program Straight to the Heart	397,165	88,074	309,091
Fundraising cocktail	340,508	43,991	296,517
Evening Cœur Universel	202,072	51,024	151,048
Golfs	123,635	5,643	117,992
Montreal International Auto Show Charity Preview	99,672	5,935	93,737
Golf Kanawaki	98,900	8,592	90,308
Travel lottery	107,447	35,777	71,670
Emerging Leaders Committee	71,152	53,702	17,450
Other	94,440	70,440	24,000
	<b>3,102,374</b>	<b>792,596</b>	<b>2,309,778</b>
<b>Other Funds</b>			
Boutique	240,256	196,924	43,332
Parking	1,466,108	1,466,108	—
	<b>1,706,364</b>	<b>1,663,032</b>	<b>43,332</b>

# Montreal Heart Institute Foundation

## Notes to the financial statements

March 31, 2016

### 7. Balance of Endowment Fund

	2016		
	Endowment	Other capital	Total
	\$	\$	\$
Balance at beginning	7,680,678	65,391,670	73,072,348
Endowments received	450,000	—	450,000
Transfer to the General Fund*	—	(3,380,155)	(3,380,155)
Transfer from the Other Funds**	—	595,200	595,200
Balance at end	8,130,678	62,606,715	70,737,393
Consisting of			
Externally restricted amounts			8,130,678
Internally restricted amounts			62,606,715
			70,737,393

  

	2015		
	Endowment	Other capital	Total
	\$	\$	\$
Balance at beginning	6,982,578	54,118,052	61,100,630
Endowment received	698,100	—	698,100
Transfer from the General Fund*	—	11,008,139	11,008,139
Transfer from the Other Funds**	—	265,479	265,479
Balance at end	7,680,678	65,391,670	73,072,348
Consisting of			
Externally restricted amounts			7,680,678
Internally restricted amounts			65,391,670
			73,072,348

\* The Board of Directors authorized a transfer of \$3,380,155 from the Endowment Fund to the General Fund (a transfer of \$11,008,139 from the General Fund to the Endowment Fund in 2015).

\*\* The Board of Directors authorized a transfer of \$595,200 (\$265,479 in 2015) from the Other Funds to the Endowment Fund.

# Montreal Heart Institute Foundation

## Notes to the financial statements

March 31, 2016

### 8. Other Funds balances

	2016				2015
	Bal du coeur Fund	BRM campaign Fund	Dedicated donations Fund	Total	Total
	\$	\$	\$	\$	\$
Revenue					
Donations	3,000	1,930,128	2,664,708	4,597,836	4,243,874
Bequests	—	—	224,795	224,795	233,246
Interest and dividends	48,217	1,056,923	—	1,105,140	895,804
Gain on disposal of investments	12,735	866,007	—	878,742	570,398
Change in the unrealized fair value of investments	(43,190)	(2,255,064)	—	(2,298,254)	2,189,111
Fund-raising activities	—	—	1,876,710	1,876,710	1,706,364
	<b>20,762</b>	<b>1,597,994</b>	<b>4,766,213</b>	<b>6,384,969</b>	<b>9,838,797</b>
Fund-raising activities					
Direct cost of fund raising activities	—	—	1,836,038	1,836,038	1,663,032
Indirect costs of fund-raising activities	—	—	—	—	27,152
Operation sub-total	<b>20,762</b>	<b>1,597,994</b>	<b>2,930,175</b>	<b>4,548,931</b>	<b>8,148,613</b>
Expenses, excluding contributions	—	363,627	24,967	388,594	377,899
Contributions to research and technological development and other costs	101,000	2,467,920	2,805,284	5,374,204	3,312,388
	<b>101,000</b>	<b>2,831,547</b>	<b>2,830,251</b>	<b>5,762,798</b>	<b>3,690,287</b>
(Deficiency) excess of revenue over expenses	<b>(80,238)</b>	<b>(1,233,553)</b>	<b>99,924</b>	<b>(1,213,867)</b>	<b>4,458,326</b>
Balance at beginning	<b>2,113,493</b>	<b>41,704,094</b>	<b>4,297,098</b>	<b>48,114,685</b>	<b>43,793,929</b>
Transfers to the Endowment Fund	7,691	(622,646)	19,755	(595,200)	(265,479)
Transfers from the General Fund	—	—	—	—	127,909
Balance at end	<b>2,040,946</b>	<b>39,847,895</b>	<b>4,416,777</b>	<b>46,305,618</b>	<b>48,114,685</b>



# Montreal Heart Institute Foundation

## Notes to the financial statements

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### 9. Commitments

The Foundation is committed to pay the Montreal Heart Institute amounts totalling \$35,068,451 (\$3,474,815 by the General Fund and \$31,593,636 by the Other Funds). These amounts include a commitment of \$24,000,000 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 \$10,662,595 Canadian dollars (\$15,527,008 Canadian dollars as at March 31, 2015). 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 is 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.

# Montreal Heart Institute Foundation

## Notes to the financial statements

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### 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 \$1,116,202 (\$448,179 in 2015) included in accounts receivable, an amount of \$2,209,155 (\$964,970 in 2015) included in accounts payable and accrued liabilities and an amount of \$1,633,708 (\$1,466,108 in 2015) with regard to parking included in the direct costs of fund-raising activities.

Equipment in an amount of \$3,626,444 (\$1,365,066 in 2015), 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.