
Financial statements of
Montreal Heart Institute Foundation

March 31, 2017

Independent Auditor's Report	1
Statement of financial position	2
Statement of operations and changes in fund balances	3
Statement of cash flows	4
Notes to the financial statements	5-14



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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, 2017, 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, 2017, 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 1, 2017

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

Montreal Heart Institute Foundation
Statement of financial position
As at March 31, 2017

		2017			2016		
Notes	General Fund	Endowment Fund	Other Funds	Total	Total		
	\$	\$	\$	\$	\$		
Assets							
	Investments	3	10,340,386	79,271,783	39,754,734	129,366,903	126,987,985
	Cash		283,872	—	104,992	388,864	703,403
	Interfund – Endowment Fund		1,358,856 *	—	—	—	—
	Amounts due by the General Fund		—	—	3,121,688 *	—	—
	Accounts receivable		1,609,367	—	682,993	2,292,360	1,931,061
	Inventories		10,629	—	—	10,629	32,350
	Other assets		392,017	—	—	392,017	384,342
			13,995,127	79,271,783	43,664,407	132,450,773	130,039,141
Liabilities							
	Accounts payable and accrued liabilities		3,008,655	—	1,486,721	4,495,376	2,727,146
	Interfund – General Fund		—	1,358,856 *	—	—	—
	Amounts due to Other Funds		3,121,688 *	—	—	—	—
			6,130,343	1,358,856	1,486,721	4,495,376	2,727,146
Commitments		9					
Fund balances							
	Externally restricted	7 and 8	—	7,258,678	42,177,686	49,436,364	54,436,296
	Internally restricted	7	—	70,654,249	—	70,654,249	62,606,715
	Unrestricted		7,864,784	—	—	7,864,784	10,268,984
			7,864,784	77,912,927	42,177,686	127,955,397	127,311,995
			13,995,127	79,271,783	43,664,407	132,450,773	130,039,141

* 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, 2017

Notes	General Fund		Endowment Fund		Other Funds		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
	2,954,692	2,994,324	—	300,000	12,473,435	4,597,836	15,428,127	7,892,160
	500,000	500,000	28,000	150,000	358,857	224,795	886,857	874,795
3	3,731,175	2,980,420	—	—	1,443,225	1,105,140	5,174,400	4,085,560
3	2,388,568	4,904,857	—	—	2,121,073	878,742	4,509,641	5,783,599
3	2,327,979	(8,189,115)	—	—	770,169	(2,298,254)	3,098,148	(10,487,369)
6	2,554,316	2,718,335	—	—	1,688,026	1,876,710	4,242,342	4,595,045
	14,456,730	5,908,821	28,000	450,000	18,854,785	6,384,969	33,339,515	12,743,790
Fund-raising activities								
6	649,150	655,526	—	—	1,667,676	1,836,038	2,316,826	2,491,564
	988,516	853,220	—	—	—	—	988,516	853,220
	12,819,064	4,400,075	28,000	450,000	17,187,109	4,548,931	30,034,173	9,399,006
Expenses								
	1,795,959	1,685,907	—	—	9,000	10,800	1,804,959	1,696,707
	61,873	47,552	—	—	—	—	61,873	47,552
	2,985	2,992	—	—	—	—	2,985	2,992
	147,278	105,167	—	—	—	—	147,278	105,167
	70,455	47,354	—	—	—	—	70,455	47,354
	2,078,550	1,888,972	—	—	9,000	10,800	2,087,550	1,899,772
	(307,543)	(377,794)	—	—	307,543	377,794	—	—
	1,771,007	1,511,178	—	—	316,543	388,594	2,087,550	1,899,772
	11,048,057	2,888,897	28,000	450,000	16,870,566	4,160,337	27,946,623	7,499,234
5	7,593,150	7,705,517	—	—	19,710,071	5,374,204	27,303,221	13,079,721
	3,454,907	(4,816,620)	28,000	450,000	(2,839,505)	(1,213,867)	643,402	(5,580,487)
7 and 8	10,268,984	11,705,449	70,737,393	73,072,348	46,305,618	48,114,685	127,311,995	132,892,482
	(5,859,107)	3,380,155	7,147,534	(2,784,955)	(1,288,427)	(595,200)	—	—
	7,864,784	10,268,984	77,912,927*	70,737,393*	42,177,686*	46,305,618*	127,955,397	127,311,995

* 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, 2017

	2017	2016
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses	643,402	(5,580,487)
Adjustments		
Gain on disposal of investments	(4,509,641)	(5,783,599)
Change in the unrealized fair value of investments	(3,098,148)	10,487,369
	(6,964,387)	(876,717)
Net changes in non-cash operating working capital items		
Accounts receivable	(361,299)	(1,325,367)
Inventories	21,721	(4,911)
Other assets	(7,675)	(54,614)
Accounts payable and accrued liabilities	1,768,230	1,368,845
	(5,543,410)	(892,764)
Investing activities		
Net change in investments	5,228,871	(26,922)
Net decrease in cash	(314,539)	(919,686)
Cash, beginning of year	703,403	1,623,089
Cash, end of year	388,864	703,403

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

Montreal Heart Institute Foundation

Notes to the financial statements

March 31, 2017

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 and Other Funds. 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 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

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 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 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. 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 following proportions: 14.25% (19.25% in 2016) to the BRM campaign Fund and 0.55% (0.75% in 2016) 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.

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

	2017		2016	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
General Fund				
Cash with trustee	8,800	8,811	9,797	9,797
Treasury bills and other discount securities, maturing through February 2018 (February 2018 in 2016)*	99,100	99,100	1,484,658	1,484,228
Bonds, face value of \$7,905,000 in 2016, 1.950 to 10.500% in 2016, maturing through June 2026 in 2016**	—	—	8,590,179	8,218,628
Mutual funds of Canadian bonds	10,159,372	10,693,322	—	—
Canadian shares	73,109	69,917	23,800	24,467
	10,340,381	10,871,150	10,108,434	9,737,120
Accrued interest and dividends	5	5	86,037	86,037
	10,340,386	10,871,155	10,194,471	9,823,157

Montreal Heart Institute Foundation
Notes to the financial statements
March 31, 2017

3. Investments (continued)

	2017		2016	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Endowment Fund				
Cash with trustee	233,938	233,938	145,028	145,028
Treasury bills and other discount securities, maturing through July 2017 (through June 2016 in 2016)	25,028	25,028	69,977	69,943
Bonds, face value of \$11,715,000 in 2016, 0.996% to 10.000% in 2016, maturing through June 2026 in 2016**	—	—	12,931,866	12,201,083
Bonds coupons, value at maturity of \$770,000 in 2016, 6.510% to 10.125% in 2016, maturing through October 2021 in 2016	—	—	717,480	584,277
Mutual funds of Canadian bonds	13,827,431	14,576,029	—	—
Canadian shares and mutual funds of Canadian shares	37,699,998	33,132,801	35,111,634	33,797,405
Foreign shares and mutual funds of foreign shares	27,464,114	25,076,142	21,547,788	20,749,840
Future contracts	—	—	2,705,524	2,705,212
	79,250,509	73,043,938	73,229,297	70,252,788
Accrued interest and dividends	21,274	21,274	157,634	157,634
	79,271,783	73,065,212	73,386,931	70,410,422

3. Investments (continued)

	2017		2016	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Other Funds				
Cash with trustee	131,803	131,803	137,724	137,724
Treasury bills and other discount securities, maturing through July 2017 (June 2016 in 2016)	260,102	260,004	2,937,702	2,937,033
Bonds, face value of \$20,105,000 in 2016, 1.022% to 11.000% in 2016, maturing through June 2026 in 2016**	—	—	22,108,562	21,161,274
Mutual funds of Canadian bonds	17,521,115	18,469,445	—	—
Canadian shares	9,473,894	6,207,654	8,039,991	6,163,679
Foreign shares and mutual funds of foreign shares	12,339,822	9,206,226	9,937,430	8,080,264
	39,726,736	34,275,132	43,161,409	38,479,974
Accrued interest and dividends	27,998	27,998	245,174	245,174
	39,754,734	34,303,130	43,406,583	38,725,148
	129,366,903	118,239,497	126,987,985	118,958,727

* The Foundation signed three letters of guarantee totalling \$99,100 (\$100,700 in 2016), for which it acquired certificates of deposit of equivalent amounts. These letters of guarantee mature through February 2018 (January 2018 in 2016).

** More than 84% in 2016 of the bonds consisted 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 \$8,388,311 (\$7,714,021 in 2016), after deduction of management fees of \$413,212 (\$347,594 in 2016). 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 \$3,230,062 (loss of \$8,035,313 in 2016).

4. Pledges receivable

As at March 31, 2017, the Foundation held pledges for all the funds totalling \$26,916,392 and running through 2039 as follows:

	\$
2018	6,506,910
2019	5,151,000
2020	4,814,000
2021 and thereafter	10,444,482

A \$3,000,000 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, and the Chaire Fondation Marcelle et Jean Coutu et Cal et Janine Moisan pour les meilleures pratiques en insuffisance cardiaque avancée de l'Université de Montréal à l'Institut de Cardiologie de Montréal. As at March 31, 2017, an amount of \$1,900,000 from that pledge has been received. The balance of \$1,100,000 is receivable over a period ending in 2019.

5. Contributions to research and technological development and other costs

	General Fund	
	2017	2016
	\$	\$
Laboratories and project operations*	2,472,398	1,743,262
University chairs	1,325,000	980,490
Equipment* (Note 11)	3,581,532	4,677,916
Other donations*	118,725	170,936
Bursaries*	95,495	106,780
Miscellaneous*	—	26,133
	7,593,150	7,705,517

	Other Funds	
	2017	2016
	\$	\$
Equipment* (Note 11)	6,035,455	63,651
Dedicated donations*	11,736,208	4,937,517
Preventions*	1,646,990	170,334
Bursaries*	110,758	101,000
Miscellaneous*	180,660	101,702
	19,710,071	5,374,204

* Contributions to the Montreal Heart Institute

6. Fund-raising activities

	2017		
	Revenue	Expenses	Net
	\$	\$	\$
General Fund			
Bal des vins-cœurs	1,404,990	357,164	1,047,826
Evening Cœur Universel	272,963	52,585	220,378
Golfs	151,925	815	151,110
Montreal Auto Show Charity Preview	155,220	51,467	103,753
Golf Kanawaki	106,520	12,215	94,305
Travel lottery	112,200	36,940	75,260
Emerging Leaders Committee	114,622	64,042	50,580
Other	235,876	73,922	161,954
	2,554,316	649,150	1,905,166
Other Funds			
Boutique	192,034	171,684	20,350
Parking	1,495,992	1,495,992	—
	1,688,026	1,667,676	20,350
			2016
	Revenue	Expenses	Net
	\$	\$	\$
General Fund			
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 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
	2,718,335	655,526	2,062,809
Other Funds			
Boutique	243,002	202,330	40,672
Parking	1,633,708	1,633,708	—
	1,876,710	1,836,038	40,672

7. Balance of Endowment Fund

	2017		
	Endowment	Other capital	Total
	\$	\$	\$
Balance at beginning	8,130,678	62,606,715	70,737,393
Endowments received	28,000	—	28,000
Transfer from General Fund*	—	5,859,107	5,859,107
Transfer from (to) the Other Funds**	(900,000)	2,188,427	1,288,427
Balance at end	7,258,678	70,654,249	77,912,927
Consisting of			
Externally restricted amounts			7,258,678
Internally restricted amounts			70,654,249
			77,912,927
	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

* The Board of Directors authorized a transfer of \$5,859,107 from the General Fund to the Endowment Fund (a transfer of \$3,380,155 from the Endowment Fund to the General Fund in 2016).

** The Board of Directors authorized a transfer of \$1,288,427 (\$595,200 in 2016) from the Other Funds to the Endowment Fund.

8. Other Funds balances

	2017				2016
	Bal du coeur Fund	BRM campaign Fund	Dedicated donations Fund	Total	Total
	\$	\$	\$	\$	\$
Revenue					
Donations	100,000	1,968,400	10,405,035	12,473,435	4,597,836
Bequests	—	—	358,857	358,857	224,795
Interest and dividends	97,117	1,346,108	—	1,443,225	1,105,140
Gain on disposal of investments	142,053	1,979,020	—	2,121,073	878,742
Change in the unrealized fair value of investments	(219,775)	989,944	—	770,169	(2,298,254)
Fund-raising activities	—	—	1,688,026	1,688,026	1,876,710
	119,395	6,283,472	12,451,918	18,854,785	6,384,969
Fund-raising activities					
Direct cost of fund raising activities	—	—	1,667,676	1,667,676	1,836,038
Operation sub-total	119,395	6,283,472	10,784,242	17,187,109	4,548,931
Expenses, excluding contributions	—	296,193	20,350	316,543	388,594
Contributions to research and technological development and other costs	110,758	10,287,344	9,311,969	19,710,071	5,374,204
	110,758	10,583,537	9,332,319	20,026,614	5,762,798
(Deficiency) excess of revenue over expenses	8,637	(4,300,065)	1,451,923	(2,839,505)	(1,213,867)
Balance at beginning	2,040,946	39,847,895	4,416,777	46,305,618	48,114,685
Transfers to the Endowment Fund	(146,692)	(2,077,144)	935,409	(1,288,427)	(595,200)
Balance at end	1,902,891	33,470,686	6,804,109	42,177,686	46,305,618

9. Commitments

The Foundation is committed to pay the Montreal Heart Institute amounts totalling \$34,287,777 (\$2,304,517 by the General Fund and \$31,983,260 by the Other Funds). These amounts include a commitment of \$21,086,336 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 CAD \$13,006,402 (CAD \$10,662,595 as at March 31, 2016). 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 \$1,334,557 (\$1,116,202 in 2016) included in accounts receivable, an amount of \$3,749,050 (\$2,209,155 in 2016) included in accounts payable and accrued liabilities and an amount of \$1,495,992 (\$1,633,708 in 2016) with regard to parking included in the direct costs of fund-raising activities.

Equipment in an amount of \$11,187,219 (\$3,626,444 in 2016), 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.