
Financial statements of
Montreal Heart Institute Foundation

March 31, 2018

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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, 2018, 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, 2018, 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

July 3, 2018

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

Montreal Heart Institute Foundation
Statement of financial position
As at March 31, 2018

	Notes	2018				2017
		General Fund	Endowment Fund	Other Funds	Total	Total
		\$	\$	\$	\$	\$
Assets						
Investments	3	10,874,541	81,549,557	36,805,246	129,229,344	129,366,903
Cash		667,305	—	49,273	716,578	388,864
Interfund – General Fund		—	3,169,728 *	—	—	—
Amounts due by the Other Funds		1,445,835 *	—	—	—	—
Accounts receivable		1,040,023	—	33,905	1,073,928	2,292,360
Inventories		9,360	—	—	9,360	10,629
Other assets		372,978	—	—	372,978	392,017
		14,410,042	84,719,285	36,888,424	131,402,188	132,450,773
Liabilities						
Accounts payable and accrued liabilities		3,427,045	—	524,415	3,951,460	4,495,376
Interfund – Endowment Fund		3,169,728 *	—	—	—	—
Amounts due to the General Fund		—	—	1,445,835 *	—	—
		6,596,773	—	1,970,250	3,951,460	4,495,376
Commitments	9					
Fund balances						
Externally restricted	7 and 8	—	7,281,178	34,918,174	42,199,352	49,436,364
Internally restricted	7	—	77,438,107	—	77,438,107	70,654,249
Unrestricted		7,813,269	—	—	7,813,269	7,864,784
		7,813,269	84,719,285	34,918,174	127,450,728	127,955,397
		14,410,042	84,719,285	36,888,424	131,402,188	132,450,773

* 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, 2018

Notes	General Fund		Endowment Fund		Other Funds		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Donations	3,130,445	2,954,692	—	—	9,615,770	12,473,435	12,746,215	15,428,127
Bequests	500,000	500,000	22,500	28,000	1,035,823	358,857	1,558,323	886,857
Interest and dividends	5,310,473	3,731,175	—	—	890,284	1,443,225	6,200,757	5,174,400
Gain on disposal of investments	1,150,649	2,388,568	—	—	1,841,499	2,121,073	2,992,148	4,509,641
Change in the unrealized fair value of investments	(1,653,554)	2,327,979	—	—	(779,538)	770,169	(2,433,092)	3,098,148
Fundraising activities	2,323,984	2,554,316	—	—	1,452,317	1,688,026	3,776,301	4,242,342
	10,761,997	14,456,730	22,500	28,000	14,056,155	18,854,785	24,840,652	33,339,515
Fundraising activities								
Direct cost of fundraising activities	617,624	649,150	—	—	1,452,317	1,667,676	2,069,941	2,316,826
Indirect costs of fundraising activities	696,339	988,516	—	—	—	—	696,339	988,516
Operation subtotal	9,448,034	12,819,064	22,500	28,000	12,603,838	17,187,109	22,074,372	30,034,173
Expenses								
Salaries, employee benefits and other compensation	1,791,262	1,795,959	—	—	—	9,000	1,791,262	1,804,959
Human resources costs	123,038	61,873	—	—	—	—	123,038	61,873
Mail, courier and other related costs	2,830	2,985	—	—	—	—	2,830	2,985
Administrative expenses	95,875	147,278	—	—	—	—	95,875	147,278
Data processing	60,742	70,455	—	—	—	—	60,742	70,455
	2,073,747	2,078,550	—	—	—	9,000	2,073,747	2,087,550
Shared expenses	(155,321)	(307,543)	—	—	155,321	307,543	—	—
	1,918,426	1,771,007	—	—	155,321	316,543	2,073,747	2,087,550
Excess of revenue over expenses before the contributions	7,529,608	11,048,057	22,500	28,000	12,448,517	16,870,566	20,000,625	27,946,623
Contributions to research and technological development and other costs	6,144,411	7,593,150	—	—	14,360,883	19,710,071	20,505,294	27,303,221
(Deficiency) excess of revenue over expenses	1,385,197	3,454,907	22,500	28,000	(1,912,366)	(2,839,505)	(504,669)	643,402
Fund balances, beginning of year	7,864,784	10,268,984	77,912,927	70,737,393	42,177,686	46,305,618	127,955,397	127,311,995
Transfers	(1,436,712)	(5,859,107)	6,783,858	7,147,534	(5,347,146)	(1,288,427)	—	—
Fund balances, end of year	7,813,269	7,864,784	84,719,285*	77,912,927*	34,918,174**	42,177,686**	127,450,728	127,955,397

* 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, 2018

	2018	2017
	\$	\$
Operating activities		
(Deficiency) excess of revenue over expenses	(504,669)	643,402
Adjustments for:		
Gain on disposal of investments	(2,992,148)	(4,509,641)
Change in the unrealized fair value of investments	2,433,092	(3,098,148)
	(1,063,725)	(6,964,387)
Net changes in non-cash operating working capital items		
Accounts receivable	1,218,432	(361,299)
Inventories	1,269	21,721
Other assets	19,039	(7,675)
Accounts payable and accrued liabilities	(543,916)	1,768,230
	(368,901)	(5,543,410)
Investing activities		
Net change in investments	696,615	5,228,871
Net increase (decrease) in cash	327,714	(314,539)
Cash, beginning of year	388,864	703,403
Cash, end of year	716,578	388,864

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

Montreal Heart Institute Foundation

Notes to the financial statements

March 31, 2018

1. Status and nature of activities

The Montreal Heart Institute Foundation (the "Foundation"), incorporated under Part III of the *Companies Act* (Québec), is a charitable organization within the meaning of the *Income Tax Act* and was created to support research activities and other activities at the Montreal Heart Institute.

2. Accounting policies

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

Fund accounting

The Foundation uses the restricted fund method to account for its activities.

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, 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: 7.50% (14.25% in 2017) to the BRM campaign Fund and 0% (0.55% in 2017) 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, 2018

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

	2018		2017	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
General Fund				
Cash with trustee	57,007	56,973	8,800	8,811
Treasury bills and other discount securities, maturing through August 2019 (February 2018 in 2017)*	101,111	101,111	99,100	99,100
Mutual funds of Canadian bonds	10,711,370	11,430,091	10,159,372	10,693,322
Canadian shares	5,053	5,106	73,109	69,917
	10,874,541	11,593,281	10,340,381	10,871,150
Accrued interest and dividends	—	—	5	5
	10,874,541	11,593,281	10,340,386	10,871,155

3. Investments (continued)

	2018		2017	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Endowment Fund				
Cash with trustee	135,728	135,728	233,938	233,938
Treasury bills and other discount securities, maturing through May 2018 (July 2017 in 2017)	104,863	104,749	25,028	25,028
Mutual funds of Canadian bonds	14,155,765	15,133,705	13,827,431	14,576,029
Canadian shares and mutual funds of Canadian shares	37,073,733	33,731,473	37,699,998	33,132,801
Foreign shares and mutual funds of foreign shares	30,052,944	27,676,390	27,464,114	25,076,142
	81,523,033	76,782,045	79,250,509	73,043,938
Accrued interest and dividends	26,524	26,524	21,274	21,274
	81,549,557	76,808,569	79,271,783	73,065,212
Other Funds				
Cash with trustee	64,036	64,047	131,803	131,803
Treasury bills and other discount securities, maturing through June 2018 (July 2017 in 2017)	99,800	99,753	260,102	260,004
Mutual funds of Canadian bonds	15,768,033	16,872,803	17,521,115	18,469,445
Canadian shares	8,993,583	6,107,806	9,473,894	6,207,654
Foreign shares and mutual funds of foreign shares	11,849,547	8,958,524	12,339,822	9,206,226
	36,774,999	32,102,933	39,726,736	34,275,132
Accrued interest and dividends	30,247	30,247	27,998	27,998
	36,805,246	32,133,180	39,754,734	34,303,130
	129,229,344	120,535,030	129,366,903	118,239,497

* The Foundation signed three letters of guarantee totalling \$101,111 (\$99,100 in 2017), for which it acquired certificates of deposit of equivalent amounts. These letters of guarantee mature through August 2020 (February 2018 in 2017).

The General Fund's interest and dividends and gain on disposal of investments include revenue from resources held as endowments in an amount of \$4,686,354 (\$8,388,311 in 2017), after deduction of management fees of \$433,012 (\$413,212 in 2017). The General Fund's change in the unrealized fair value of investments also includes the portion of the loss from resources held as endowments in an amount of \$1,465,583 (gain of \$3,230,062 in 2017).

4. Pledges receivable

As at March 31, 2018, the Foundation held pledges for all the funds totalling \$35,854,018 and running through 2039 as follows:

	\$
2019	7,688,000
2020	7,296,000
2021	5,513,018
2022	3,602,000
2023 and thereafter	11,755,000

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, 2018, an amount of \$2,700,000 from that pledge has been received. The balance of \$300,000 is receivable in 2019.

5. Contributions to research and technological development and other costs

	General Fund	
	2018	2017
	\$	\$
Laboratories and project operations*	2,903,227	3,797,398
Equipment* (Note 11)	2,961,770	3,581,532
Prevention*	156,223	118,725
Bursaries*	84,178	95,495
Miscellaneous*	39,013	—
	6,144,411	7,593,150

	Other Funds	
	2018	2017
	\$	\$
Dedicated donations*	8,548,260	10,411,208
Equipment* (Note 11)	—	6,035,455
University chairs	2,835,400	1,325,000
Prevention*	1,827,544	1,646,990
Education*	912,352	—
Bursaries*	210,000	110,758
Miscellaneous*	27,327	180,660
	14,360,883	19,710,071

* Contributions to the Montreal Heart Institute

6. Fundraising activities

	2018		
	Revenue	Expenses	Net
	\$	\$	\$
General Fund			
Bal des vins-cœurs	1,258,458	383,915	874,543
Evening Cœur Universel	209,956	50,888	159,068
Golfs	169,381	815	168,566
Montreal Auto Show Charity Preview	153,469	8,333	145,136
Golf Kanawaki	110,000	12,402	97,598
Travel lottery	124,640	39,816	84,824
Emerging Leaders Committee	88,422	67,200	21,222
Other	209,658	54,255	155,403
	2,323,984	617,624	1,706,360
Other Funds			
Parking	1,452,317	1,452,317	—
	3,776,301	2,069,941	1,706,360
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
	4,242,342	2,316,826	1,925,516

7. Balance of Endowment Fund

	2018		
	Endowment	Other capital	Total
	\$	\$	\$
Balance beginning of year	7,258,678	70,654,249	77,912,927
Endowments received	22,500	—	22,500
Transfer from the General Fund*	—	1,416,712	1,416,712
Transfer from the Other Funds**	—	5,367,146	5,367,146
Balance, end of year	7,281,178	77,438,107	84,719,285
Consisting of:			
Externally restricted amounts			7,281,178
Internally restricted amounts			77,438,107
			84,719,285
			2017
	Endowment	Other capital	Total
	\$	\$	\$
Balance, beginning of year	8,130,678	62,606,715	70,737,393
Endowments received	28,000	—	28,000
Transfer from the General Fund*	—	5,859,107	5,859,107
Transfer (to) from the Other Funds**	(900,000)	2,188,427	1,288,427
Balance, end of year	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

* The Board of Directors authorized a transfer of \$1,416,712 from the General Fund to the Endowment Fund (\$5,859,107 in 2017).

** The Board of Directors authorized a transfer of \$5,367,146 (\$1,288,427 in 2017) from the Other Funds to the Endowment Fund.

8. Other Funds balances

	2018				2017
	Bal du coeur Fund	BRM campaign Fund	Dedicated donations Fund	Total	Total
	\$	\$	\$	\$	\$
Revenue					
Donations	1,000	770,000	8,844,770	9,615,770	12,473,435
Bequests	—	—	1,035,823	1,035,823	358,857
Interest and dividends	59,178	831,106	—	890,284	1,443,225
Gain on disposal of investments	11,663	1,829,836	—	1,841,499	2,121,073
Change in the unrealized fair value of investments	(39,510)	(740,028)	—	(779,538)	770,169
Fundraising activities	—	—	1,452,317	1,452,317	1,688,026
	32,331	2,690,914	11,332,910	14,056,155	18,854,785
Fundraising activities					
Direct cost of fundraising activities	—	—	1,452,317	1,452,317	1,667,676
Operation subtotal	32,331	2,690,914	9,880,593	12,603,838	17,187,109
Expenses, excluding contributions	—	155,321	—	155,321	316,543
Contributions to research and technological development and other costs	210,000	4,656,110	9,494,773	14,360,883	19,710,071
	210,000	4,811,431	9,494,773	14,516,204	20,026,614
(Deficiency) excess of revenue over expenses	(177,669)	(2,120,517)	385,820	(1,912,366)	(2,839,505)
Balance, beginning of year	1,902,891	33,470,686	6,804,109	42,177,686	46,305,618
Transfers to the Endowment Fund	—	(5,354,142)	(13,004)	(5,367,146)	(1,288,427)
Transfers from the General Fund	—	—	20,000	20,000	—
Transfers from the Other Funds	—	(100,000)	100,000	—	—
Balance, end of year	1,725,222	25,896,027	7,296,925	34,918,174	42,177,686

9. Commitments

The Foundation is committed to pay the Montreal Heart Institute amounts totalling \$31,025,655 (\$2,251,142 by the General Fund and \$28,774,513 by the Other Funds). These amounts include a commitment of \$20,173,984 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 CAN\$13,804,127 (CAN\$13,006,402 as at March 31, 2017). 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 \$398,547 (\$1,334,557 in 2017) included in Accounts receivable, an amount of \$3,299,014 (\$3,749,050 in 2017) included in Accounts payable and accrued liabilities and an amount of \$1,452,317 (\$1,495,992 in 2017) with regard to parking included in the direct costs of fundraising activities.

Equipment in an amount of \$899,009 (\$11,187,219 in 2017), 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.