

# **Heart and Stroke Foundation of Canada**

Consolidated Financial Statements  
**August 31, 2013**  
(in thousands of dollars)



January 23, 2014

## **Independent Auditor's Report**

### **To the Directors of Heart and Stroke Foundation of Canada**

We have audited the accompanying consolidated financial statements of Heart and Stroke Foundation of Canada and its subsidiaries, which comprise the consolidated statement of financial position as at August 31, 2013 and the consolidated statements of changes in net assets, operations and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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

**Basis for qualified opinion**

In common with many not-for-profit organizations, the Foundation and its subsidiaries derive revenues from fundraising and other sources, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Foundation and its subsidiaries. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, deficiency of revenues over expenses for the year and cash flows from operations for the year ended August 31, 2013, current assets as at August 31, 2013 and net assets as at August 31, 2012 and 2013.

**Qualified opinion**

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Foundation and its subsidiaries as at August 31, 2013 and the results of their operations and their cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

**Comparative information**

Without modifying our opinion, we draw attention to note 3 to the consolidated financial statements, which describes that Heart and Stroke Foundation of Canada and its subsidiaries adopted Canadian accounting standards for not-for-profit organizations on September 1, 2012 with a transition date of September 1, 2011. These standards were applied retrospectively by management to the comparative information in these consolidated financial statements, including the consolidated statements of financial position as at August 31, 2012 and September 1, 2011 and the consolidated statements of changes in net assets, operations and cash flows for the year ended August 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

# Heart and Stroke Foundation of Canada

## Consolidated Statement of Financial Position

(in thousands of dollars)

	August 31, 2013 \$	August 31, 2012 \$ (unaudited)	September 1, 2011 \$ (unaudited) (note 2)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	37,771	66,328	14,372
Accounts receivable	4,414	4,686	933
Due from provincial foundations (note 2)	—	—	4,229
Inventory	1,935	1,928	394
Prepaid expenses	1,363	970	154
	45,483	73,912	20,082
<b>Investments</b> (note 4)	71,399	73,464	—
<b>Capital assets</b> (note 5)	4,980	5,528	207
<b>Pension asset</b> (note 11)	719	—	—
	122,581	152,904	20,289
<b>Liabilities and Net Assets</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities (note 6)	13,727	14,702	2,204
Research awards payable	44,104	61,177	6,909
Deferred revenue (note 7)	7,953	11,020	3,314
	65,784	86,899	12,427
<b>Deferred revenue</b> (note 7)	7,728	4,460	5,774
<b>Lease inducements and rent allowances</b> (note 5)	2,291	2,474	47
<b>Pension liability</b> (note 11)	—	3,022	—
	75,803	96,855	18,248
<b>Net assets</b>			
Unrestricted	7,605	8,239	523
Internally restricted (note 8)	35,588	44,496	1,018
Endowments	3,585	3,314	500
	46,778	56,049	2,041
	122,581	152,904	20,289

### Approved by the Board of Directors

*Douglas S. Clement*

Chair, Douglas Clement

*Andrew Cockwell*

Chair, Finance and Audit Committee, Andrew Cockwell

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

# Heart and Stroke Foundation of Canada

## Consolidated Statement of Changes in Net Assets

For the year ended August 31, 2013

(in thousands of dollars)

	Net assets – August 31, 2012 \$ (unaudited)	Net expense for the year ended August 31, 2013 \$	Remeasurement and other items relating to employee future benefits \$	Endowment contributions \$	Transfers from (to) \$	Net assets – August 31, 2013 \$
Unrestricted	8,239	(12,832)	3,290	–	8,908	7,605
Internally restricted (note 8)	44,496	–	–	–	(8,908)	35,588
Endowments	3,314	–	–	271	–	3,585
	56,049	(12,832)	3,290	271	–	46,778

	Net assets – September 1, 2011 \$ (unaudited)	Transfer from provincial foundations (note 2) \$ (unaudited)	Recognition of pension liability (notes 2 and 11) \$ (unaudited)	Net expense for the year ended August 31, 2012 \$ (unaudited)	Remeasurement and other items relating to employee future benefits \$ (unaudited)	Transfers from (to) \$ (unaudited)	Net assets – August 31, 2012 \$ (unaudited)
Unrestricted	523	24,234	(2,806)	(7,060)	(713)	(5,939)	8,239
Internally restricted (note 8)	1,018	37,539	–	–	–	5,939	44,496
Endowments	500	2,814	–	–	–	–	3,314
	2,041	64,587	(2,806)	(7,060)	(713)	–	56,049

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

# Heart and Stroke Foundation of Canada

## Consolidated Statement of Operations

For the year ended August 31, 2013

(in thousands of dollars)

	2013 \$	2012 \$ (unaudited) (note 2)
<b>Revenues</b>		
Fundraising		
Community-based programs	53,424	56,496
Direct marketing	20,548	21,594
Corporate sponsorship	9,078	11,925
Health promotions	5,815	7,767
Major gifts	27,176	26,249
	116,041	124,031
Lottery	70,785	75,761
	186,826	199,792
Government sponsored projects and grants	7,290	10,512
Investment income	3,863	4,346
Other	24	494
	11,177	15,352
<b>Total revenues</b>	198,003	215,144
<b>Direct costs</b>		
Fundraising	21,099	22,938
Lottery	54,653	52,072
Other	—	490
	75,752	75,500
<b>Revenue before operating and mission expenses for the following</b>		
Fundraising	94,942	101,093
Lottery	16,132	23,689
Government, investment, and other	11,177	14,862
	122,251	139,644
<b>Operating expenses</b>		
General fundraising	33,030	32,869
Administration	10,604	6,639
	43,634	39,508
<b>Funds available for mission</b>	78,617	100,136
<b>Mission expenses</b>		
Research	38,180	50,425
Health promotion and community programs	53,269	56,771
	91,449	107,196
<b>Net expense for the year</b>	(12,832)	(7,060)

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

# Heart and Stroke Foundation of Canada

## Consolidated Statement of Cash Flows

For the year ended August 31, 2013

(in thousands of dollars)

	2013 \$	2012 \$ (unaudited) (note 2)
<b>Cash flows provided by (used in)</b>		
<b>Operating activities</b>		
Net expense for the year	(12,832)	(7,060)
Items not affecting cash –		
Amortization of capital assets	915	1,189
Amortization of lease inducements and rent allowances	(183)	(264)
Changes in fair value of investments	413	3,525
Provision for pension plan	2,657	2,413
Contributions to pension plan	(3,108)	(2,910)
Change in non-cash working capital items –		
Accounts receivable	272	(4,267)
Due from provincial foundations	–	4,229
Inventory	(7)	(50)
Prepaid expenses	(393)	161
Accounts payable and accrued liabilities	(975)	1,081
Research awards payable	(17,073)	6,114
Deferred revenue	201	(4,489)
	<u>(30,113)</u>	<u>(328)</u>
<b>Investing activities</b>		
Purchases of investments	(16,936)	(23,754)
Proceeds on sale of investments	18,588	38,929
Purchases of capital assets	<u>(367)</u>	<u>(752)</u>
	<u>1,285</u>	<u>14,423</u>
<b>Financing activity</b>		
Endowment contributions	<u>271</u>	<u>–</u>
<b>Net change in cash for the year</b>	<u>(28,557)</u>	<u>14,095</u>
<b>Transfer from provincial foundations (note 2)</b>	<u>–</u>	<u>37,861</u>
	<u>(28,557)</u>	<u>51,956</u>
<b>Cash and cash equivalents – Beginning of year</b>	<u>66,328</u>	<u>14,372</u>
<b>Cash and cash equivalents – End of year</b>	<u>37,771</u>	<u>66,328</u>

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

# Heart and Stroke Foundation of Canada

## Notes to Consolidated Financial Statements

August 31, 2013

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(in thousands of dollars)

### **1 Mission**

The Heart and Stroke Foundation of Canada (“the Foundation”) is a registered charity exempt from income taxes, incorporated under the provisions of the Canada Not-for-profit Corporations Act. The mission of the Foundation, a volunteer-based health charity, is to lead in eliminating heart disease and stroke and reduce their impact through the advancement of research and its application, the promotion of healthy living and advocacy.

Healthy lives free of heart disease and stroke. Together we will make it happen.

### **2 Federation and unification agreement**

Prior to August 31, 2011, the Foundation and the provincial foundations were governed by independent Boards of Directors and operated within a federation agreement dated June 14, 1997. This agreement allowed the Foundation and the provincial foundations to work together as a National Federation in the spirit of unity, trust, cooperation, collaboration and sharing of best practices.

The provincial foundations funded the operations of the Foundation, as well as shared in certain revenues and funded national research activities through an agreed formula.

On June 25, 2011, the Heart and Stroke Foundation of Alberta, NWT & Nunavut (HSFA), Heart and Stroke Foundation of B.C. and Yukon, Heart and Stroke Foundation of Manitoba Inc., Heart and Stroke Foundation of Newfoundland and Labrador, Heart and Stroke Foundation of Nova Scotia, Heart and Stroke Foundation of Ontario (HSFO), Heart and Stroke Foundation of Prince Edward Island Inc., Heart and Stroke Foundation of Quebec (HSFQ), Heart and Stroke Foundation of Saskatchewan Inc. and the Foundation entered into a unification agreement in which they agreed to unify their operations and transfer and assign all assignable assets and liabilities to the Foundation by way of a Deed of Gift. This conveyance was effective on September 1, 2011 – except for HSFQ (September 1, 2012), HSFA and HSFO (September 1, 2013); however governance control of these formerly independent provincial foundations was transferred to the Foundation on September 1, 2011.



# Heart and Stroke Foundation of Canada

## Notes to Consolidated Financial Statements

August 31, 2013

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(in thousands of dollars)

The financial impact of the transfer to the Foundation as of September 1, 2011, is as follows:

	\$
Assets transferred to the Foundation	
Cash and cash equivalents	37,861
Investments	92,164
Accounts receivable	(514)
Prepaid expenses	977
Inventory	1,484
Capital assets	5,758
	<hr/>
	137,730
	<hr/>
Liabilities assumed by the Foundation	
Accounts payable and accrued liabilities	11,417
Research awards payable	48,154
Deferred revenue	10,881
Lease inducements and rent allowances	2,691
	<hr/>
	73,143
	<hr/>
Net assets transferred to the Foundation before recognition of pension liability	64,587
Recognition of pension liability (notes 3 and 11)	2,806
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	61,781
	<hr/>

Effective September 1, 2011, the Foundation entered into an affiliation agreement with the Heart and Stroke Foundation of New Brunswick. This agreement governs the working relationship between the two independent organizations as they continue to work together.

### 3 Significant accounting policies

#### Basis of presentation

These consolidated financial statements include the assets, liabilities, revenues and expenses of the Heart and Stroke Foundation of Canada and the formerly independent provincial foundations where governance control was transferred to the Foundation on September 1, 2011 (note 2).

# Heart and Stroke Foundation of Canada

## Notes to Consolidated Financial Statements

August 31, 2013

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(in thousands of dollars)

### Basis of accounting

Effective September 1, 2012, the Foundation elected to adopt Canadian accounting standards for not-for-profit organizations ("Part III" of the Handbook of the Canadian Institute of Chartered Accountants) as issued by the Canadian Accounting Standards Board. Subject to certain transition elections, the accounting policies selected under this framework have been applied consistently and retrospectively for comparative purposes. The following elections and adjustments were made by the Foundation on transition to Part III:

	\$
Recognition of pension liability as at September 1, 2011, as previously reported	4,101
Remeasurement of pension liability as at September 1, 2011	<u>(1,295)</u>
Recognition of pension liability as at September 1, 2011, as presented (note 2)	<u>2,806</u>
 Net expense for the year ended August 31, 2012, as previously reported	 (7,377)
Remeasurement of change in pension liability for the year ended August 31, 2012	(396)
Remeasurements and other items relating to employee future benefits now recognized directly in net assets	<u>713</u>
Net expense for the year ended August 31, 2012, as presented	<u>(7,060)</u>

Under Part III, the Foundation has chosen to use the immediate recognition approach, and to recognize certain actuarial gains and losses and other items directly in net assets in the consolidated statement of financial position. Prior to the transition, remeasurements and other items were recognized in the consolidated statement of operations. Under Part III, expenses for the year ended August 31, 2012, have been decreased by \$317. The transition to Part III had no significant impact on the consolidated statements of financial position, changes in net assets or cash flows.

### Use of estimates

The preparation of financial statements in conformity with Part III requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

### Foreign currency translation

Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenue and expenses denominated in foreign currency are translated at the rate in effect on the transaction date. Gains and losses are included in the consolidated statement of operations.

# Heart and Stroke Foundation of Canada

## Notes to Consolidated Financial Statements

August 31, 2013

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(in thousands of dollars)

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash.

### Investments

Investments are accounted for at their fair values, which are determined as follows:

- i) Fixed income investments are valued based on quoted market values and equities are determined based on closing prices.
- ii) Investments in pooled funds are valued at their net asset values.

Changes in fair value of investments are reflected in the consolidated statement of operations.

### Inventory

Inventory is carried at the lower of average cost and net realizable value. Cost is determined on a weighted average basis and includes direct and indirect expenditures incurred in bringing an item to its existing location and condition.

### Capital assets

Capital assets, which are initially recorded at cost, are amortized on a straight-line basis over their estimated useful service lives as follows:

Buildings	20-40 years
Furniture and fixtures	4-8 years
Equipment	3-5 years
Computer hardware and software	2-5 years
Leasehold improvements	over the term of the lease agreement

### Research awards

Research awards are recorded annually as payable when signed letters of acceptance are received from the awardees.

Certain research projects funded by the Foundation extend over a number of years. Such projects are reviewed annually and further funding is provided conditional upon accomplishment of specified performance criteria and availability of research funds. Accordingly, research awards payable, as shown on the consolidated statement of financial position, do not include a provision for funding on multi-year research projects that extend beyond the subsequent year.

Unexpended balances of terminated grants are offset against the current year's expenses.

# Heart and Stroke Foundation of Canada

## Notes to Consolidated Financial Statements

August 31, 2013

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(in thousands of dollars)

### **Lease inducements**

The Foundation enters into long-term leases and receives certain lease inducements and rent allowances, which are amortized on a straight-line basis over the expected lease term.

### **Employee future benefits**

The pension plan is a defined benefit plan that provides pensions for substantially all employees based on length of service and rate of pay.

The accrued benefit obligation is actuarially determined each reporting period based on a roll forward of the most recent valuation prepared for funding purposes. Under the immediate recognition approach, actuarial gains and losses and past service costs are included in the cost of the plan for the year. Certain actuarial gains and losses are recognized directly in net assets in the consolidated statement of financial position rather than in the consolidated statement of operations.

Prior to the effective date of the unification agreement (note 2), insufficient information was available on the Foundation's share of the underlying assets and liabilities to apply the reporting applicable to a defined benefit plan. Accordingly, the Foundation followed the reporting standards applicable to a defined contribution plan.

### **Revenue recognition**

The Foundation follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions and restricted investment income are recognized as revenue in the year in which the related expenses are incurred. Endowment contributions, where donors have restricted the original contribution to be maintained in perpetuity, are recognized as direct increases in net assets.

Licence fees received under the HealthCheck™ program are deferred and recognized on a straight-line basis over the life of the licence. Application fees are recognized when the food product has been evaluated against the HealthCheck™ program criteria.

Sales of educational materials are recorded when shipment has occurred, title has passed and when collection is reasonably assured.

### **Expenses**

Direct costs are those directly attributable to various fundraising, lottery or other programs.

General fundraising expenses include operating and salary costs related to fundraising, but not specifically attributable to a fundraising program.

# Heart and Stroke Foundation of Canada

## Notes to Consolidated Financial Statements

August 31, 2013

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(in thousands of dollars)

Research expenses include grants for research projects, fellowships, new and career investigator awards, graduate student awards and other research related activities including administration of research programs and awards, strategic planning of research funds and public messaging of knowledge from research findings.

Health promotion and community programs expenses include all spending related to the promotion of healthy living and advocacy. This spending focuses on activities related to healthy communities, prevention and awareness and heart healthy children and youth.

### Allocation of expenses

The Foundation engages in fundraising activities to support investment in its mission. The cost of the fundraising activities includes both costs, which can be directly attributed, and general support expenses, which have been allocated to the activity.

The basis of allocation varies depending on the nature of the expense and includes estimates of time spent, material costs, delivery costs and head count (note 9).

### Contributed services

The work of the Foundation is dependent on the donated service of many volunteers. Due to the difficulty of determining the fair value, these contributed services are not recognized or disclosed in the consolidated financial statements.

## 4 Investments

	August 31, 2013 \$	August 31, 2012 \$ (unaudited)	September 1, 2011 \$ (unaudited)
Canadian equity	29,371	22,769	—
Foreign equity	656	534	—
Canadian fixed income	39,986	49,135	—
Foreign fixed income	—	552	—
Accrued investment income	1,386	474	—
	<hr/>	<hr/>	<hr/>
	71,399	73,464	—

Canadian equity and certain fixed income investments are held in a variety of pooled mutual funds. The interest rates for fixed income securities outside of pooled fixed income funds vary from 0.80% to 6.15% and maturity dates range from October 2013 to December 2036 (August 31, 2012 – from 1.00% to 6.15% and maturity dates range from September 2012 to January 2036).

# Heart and Stroke Foundation of Canada

## Notes to Consolidated Financial Statements

August 31, 2013

(in thousands of dollars)

The Foundation has a total line of credit available to a maximum of \$39,400, comprised of a \$2,400 revolving line of credit for general business purposes and a \$37,000 revolving line of credit for letters of guarantee in support of lottery licences. The first facility bears interest at rate of prime and is due on demand. The second facility has specific fees payable (0.3%) on the issue of the respective letters of guarantee. As of year-end, there were letters of guarantee outstanding of \$29,532 (August 31, 2012 – \$29,645; September 1, 2011 – \$nil).

The Foundation has pledged a specific portion of its investments in the amount of \$57,659 (August 31, 2012 – \$38,800; September 1, 2011 – \$nil) as security for the second facility and must maintain an aggregate market value for cash and securities held of at least \$29,532.

As of year-end, the first facility had not been drawn on for general business purposes.

### 5 Capital assets and lease inducements

	August 31, 2013		August 31, 2012	September 1, 2011
	Cost \$	Accumulated amortization \$	Net \$ (unaudited)	Net \$ (unaudited)
Land	879	–	879	–
Buildings	6,090	4,290	1,800	–
Furniture and fixtures	1,192	1,112	80	43
Equipment	997	925	72	–
Computer hardware and software	5,161	4,484	677	98
Leasehold improvements	3,672	2,271	1,401	66
Deferred leasing costs	719	648	71	–
	18,710	13,730	4,980	207
Lease inducements	4,010	1,719	2,291	47

### 6 Government remittances

Federal and provincial sales taxes, payroll taxes, health taxes and workers' safety insurance premiums of \$46 (August 31, 2012 – \$43; September 1, 2011 – \$23) are included in accounts payable and accrued liabilities.

# Heart and Stroke Foundation of Canada

## Notes to Consolidated Financial Statements

August 31, 2013

(in thousands of dollars)

### 7 Deferred revenue

	Balance – September 1, 2011 \$ (unaudited)	Transferred from provincial foundations (note 2) \$ (unaudited)	Funds received \$ (unaudited)	Recognized as revenue \$ (unaudited)	Balance – August 31, 2012 \$ (unaudited)
Health promotion	2,493	4,248	11,247	(10,329)	7,659
Research	6,595	149	7,365	(7,505)	6,604
HSFCSR	–	4,343	628	(4,971)	–
Other	–	2,141	2,799	(3,723)	1,217
	9,088	10,881	22,039	(26,528)	15,480
Less: current portion	3,314				11,020
	5,774				4,460

  

	Balance – August 31, 2012 \$ (unaudited)	Funds received \$	Recognized as revenue \$	Balance – August 31, 2013 \$
Health promotion	7,659	8,391	(11,257)	4,793
Research	6,604	10,895	(7,438)	10,061
Other	1,217	1,428	(1,818)	827
	15,480	20,714	(20,513)	15,681
Less: current portion	11,020			7,953
	4,460			7,728

Deferred contributions include amounts that have been advanced by the federal and provincial governments for various projects. These projects are managed and executed by the Foundation in partnership with other health organizations and stakeholders in Canada, including the respective Ministries. The contributions are recorded as deferred until the designated costs have been incurred. Any part of the contributions that has not been used belongs to the Ministries.

Deferred contributions also include amounts raised for the defibrillator initiative in excess of amounts disbursed during the fiscal year. Funds raised are to be used to place defibrillators and provide training to communities across Canada.

# Heart and Stroke Foundation of Canada

## Notes to Consolidated Financial Statements

August 31, 2013

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(in thousands of dollars)

Deferred contributions also include amounts raised from the leasing of the HealthCheck™ logo related to future periods. Funds raised are to be used to offset the operations cost of the HealthCheck™ program.

### 8 Internally restricted net assets

Internally restricted net assets represent amounts that have been designated by the Board of Directors to fund grants awarded in the current year and other approved Board initiatives.

The Foundation sets the amount of internally restricted net asset balances in proportion to risk and economic conditions, and manages fund restrictions to ensure the Foundation's mission and strategic plans are accomplished.

Internally restricted net assets are not available for use by the Foundation for any purpose other than those outlined below, without prior approval by the Board of Directors. Internally restricted net assets consist of:

	August 31, 2013 \$	August 31, 2012 \$ (unaudited)	September 1, 2011 \$ (unaudited)
Approved strategic plan initiatives	7,000	10,200	1,018
Future grant awards	15,408	18,814	—
Reserve	13,180	15,482	—
	<u>35,588</u>	<u>44,496</u>	<u>1,018</u>

#### Approved strategic plan initiatives

The Board of Directors has internally restricted amounts for use toward specific initiatives within its approved strategic plan.

#### Future grant awards

The Board of Directors has determined that an amount equal to at least 50% of the future grant awards and commitments should be internally restricted.

#### Reserve

The Board of Directors has determined that each year an amount should be held in reserve against unforeseen events. The reserve is based on a formula approved by the Board of Directors.



# Heart and Stroke Foundation of Canada

## Notes to Consolidated Financial Statements

August 31, 2013

(in thousands of dollars)

### 9 Allocation of general support expenses

Program and general support costs have been allocated among business activities as follows:

	<b>2013</b>			
	<b>Fundraising direct costs</b>	<b>Indirect fundraising and administrative costs</b>	<b>Mission activities</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Fundraising direct costs	21,099	—	—	21,099
Lottery direct costs	54,653	—	—	54,653
General fundraising	—	32,240	790	33,030
Administration	22	9,582	1,000	10,604
Research	5	2,110	36,065	38,180
Health promotion and community programs	5,808	13,264	34,197	53,269
	<b>81,587</b>	<b>57,196</b>	<b>72,052</b>	<b>210,835</b>

  

	<b>2012</b>			
	<b>Fundraising direct costs</b>	<b>Indirect fundraising and administrative costs</b>	<b>Mission activities</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
Fundraising direct costs	22,938	—	—	22,938
Lottery direct costs	52,072	—	—	52,072
General fundraising	1,183	30,308	1,378	32,869
Administration	26	6,157	456	6,639
Research	6	3,919	46,500	50,425
Health promotion and community programs	6,459	18,532	31,780	56,771
	<b>82,684</b>	<b>58,916</b>	<b>80,114</b>	<b>221,714</b>

# Heart and Stroke Foundation of Canada

## Notes to Consolidated Financial Statements

August 31, 2013

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(in thousands of dollars)

### 10 Financial instruments

Financial instruments that potentially subject the Foundation to concentrations of credit risk are cash, investments and accounts receivable. The Foundation places its cash and cash equivalents in interest bearing accounts, instruments insured by a Canadian chartered bank, or in highly liquid investments that are readily convertible into known amounts of cash. The Foundation believes that an adequate provision has been made for accounts receivable to the extent that collection is doubtful.

The Foundation is subject to currency risk as the value of its U.S. dollar bank account with a balance of \$153 (August 31, 2012 – \$88; September 1, 2011 – \$78) will fluctuate due to changes in foreign exchange rates.

The Foundation is exposed to interest rate risk as the value of its investments fluctuates in accordance with fluctuations in interest rates.

Investments are subject to market risk. The Foundation manages market risk by substantially investing in Canadian equities and fixed income pooled mutual funds that meet specific investment criteria established and approved by the Board of Directors and designed to adequately diversify the Foundation's investments to reduce exposure to market risk. Professional investment managers invest and manage the investment portfolio in accordance with the Foundation's investment policy statement. Investments are recorded at fair value. Fair value estimates are made at a specific point in time and may not be reflective of future value. The Foundation does not hold or issue financial instruments for trading purposes and does not hold or invest in derivative financial instruments.

### 11 Employee future benefits

Actuarial calculations performed at the following measurement dates indicated the following information:

	August 31, 2013 \$	August 31, 2012 \$ (unaudited)	September 1, 2011 \$ (unaudited)
Fair value of plan assets	42,347	36,006	32,586
Accrued benefit obligation	(41,628)	(39,028)	(35,392)
Pension asset (liability)	719	(3,022)	(2,806)

# Heart and Stroke Foundation of Canada

## Notes to Consolidated Financial Statements

August 31, 2013

(in thousands of dollars)

### 12 Commitments

	Research awards \$	HSFCSR \$	Operating leases \$	Total \$
Year ending August 31, 2013	—	2,000	4,789	6,789
2014	17,408	2,000	3,962	23,370
2015	10,618	2,000	3,049	15,667
2016	2,321	1,167	2,509	5,997
2017	469	—	2,275	2,744
2018 and thereafter	—	—	2,434	2,434
	30,816	7,167	19,018	57,001

#### Research awards

Applications for research grants are generally multi-year in nature. However, the Foundation only commits to and expenses one year at a time, with the subsequent years of research awards subject to annual review and approval. If specified performance criteria are met, and funds are available, further funding of existing multi-year research awards would be forthcoming.

#### Heart and Stroke Foundation Centre for Stroke Recovery

The Heart and Stroke Foundation Centre for Stroke Recovery (HSFCSR) is an independently incorporated registered charity created to facilitate its long-term scientific success in promoting research on recovery after stroke. HSFCSR was established by the Foundation in conjunction with the Ottawa Hospital Research Institute, the University of Ottawa, the Sunnybrook Health Sciences Centre, the Baycrest Centre for Geriatric Care, University Health Network, and Memorial University. The Foundation has the right to select four of the twelve members of the HSFCSR's board and is therefore able to influence the Centre's activities, operations and strategic direction.

The funding commitment is subject to total matching funding commitments by other HSFCSR stakeholders.