

Edgar Filing: Edwards Lifesciences Corp - Form 11-K

Edwards Lifesciences Corp
Form 11-K
June 15, 2018

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-15525

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Edwards Lifesciences Corporation
401(k) Savings and Investment Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Edwards Lifesciences Corporation

One Edwards Way
Irvine, California 92614
(949) 250-2500

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Edwards Lifesciences Corporation

401(k) Savings and Investment Plan

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Administrative and Investment Committee and Participants of
Edwards Lifesciences Corporation 401(k) Savings and Investment Plan

Opinion on the Financial Statements

We have audited the accompanying statement of net assets available for benefits of the Edwards Lifesciences Corporation 401(k) Savings and Investment Plan (the "Plan") as of December 31, 2017, the related statement of changes in net assets available for benefits for the year then ended, and the related notes (collectively referred to as the "financial statements"). These financial statements are the responsibility of the Plan's management. In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2017, and the changes in net assets available for benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on the Plan's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion on the Supplemental Schedule

The supplemental Schedule H, line 4(i) - Schedule of Assets (Held at End of Year) as of December 31, 2017 has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental schedule reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the accompanying supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with DOL's Rules and Regulations for Reporting and Disclosure under ERISA. In our opinion, the accompanying supplemental schedule is

fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Moss Adams LLP
Denver, Colorado
June 15, 2018

We have served as the Plan's auditor since 2018.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Administrative and Investment Committee
Edwards Lifesciences Corporation 401(k) Savings and Investment Plan

We have audited the accompanying statement of net assets available for benefits of Edwards Lifesciences Corporation 401(k) Savings and Investment Plan (the “Plan”) as of December 31, 2016, and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2016, and the changes in net assets available for benefits for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Hein & Associates LLP
Denver, Colorado
June 16, 2017

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Edwards Lifesciences Corporation

401(k) Savings and Investment Plan

Statements of Net Assets Available for Benefits

	December 31,	
	2017	2016
Investments in Master Trust	\$811,887,051	\$673,861,533
Notes receivable from participants	10,547,585	10,093,652
Dividends and interest receivable	5,567	5,460
Contributions receivable	507,971	371,919
NET ASSETS AVAILABLE FOR BENEFITS	\$822,948,174	\$684,332,564

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

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Edwards Lifesciences Corporation

401(k) Savings and Investment Plan

Statements of Changes in Net Assets Available for Benefits

	Years Ended December 31,	
	2017	2016
Additions to net assets attributed to:		
Net investment income from Master Trust	\$ 119,764,920	\$ 63,977,437
Interest income on notes receivable from participants	441,934	414,125
Contributions:		
Participant contributions	39,646,872	34,743,151
Company contributions	18,727,400	16,320,801
Rollover contributions	8,522,587	8,847,586
Total contributions	66,896,859	59,911,538
Total additions	187,103,713	124,303,100
Deductions from net assets attributed to:		
Benefits paid to participants	48,050,447	29,546,723
Administrative expenses	437,656	524,159
Total deductions	48,488,103	30,070,882
Net increase in net assets available for benefits	138,615,610	94,232,218
Net assets available for benefits:		
Beginning of year	684,332,564	590,100,346
End of year	\$ 822,948,174	\$ 684,332,564

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

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Edwards Lifesciences Corporation

401(k) Savings and Investment Plan

Notes to Financial Statements

1. Description of the Plan

The following description of the Edwards Lifesciences Corporation 401(k) Savings and Investment Plan (the “Plan”) is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

General

The Plan is a defined contribution retirement plan subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). Participation in the Plan is available to employees of Edwards Lifesciences Corporation (the “Company”) who have met certain eligibility requirements, as described below.

Eligibility

Employees become eligible to participate in the Plan on the thirty first day after an employee is credited with an hour of service. Eligible individuals are those who are U.S. employees of the Company, or a subsidiary, division, or facility of the Company that has adopted the Plan, other than:

1. U.S. employees covered by a collective bargaining agreement unless the agreement provides for coverage under the Plan;
2. Employees otherwise excluded from the groups of employees to whom the Plan is extended;
3. Leased employees who are employed by another company that provides services to Edwards;
4. Individuals who perform services under a written or verbal agreement that classifies them as independent contractors or that otherwise contains a waiver of participation in the Plan, regardless of such individual’s employment status under common law;
5. Any employee classified as a “proctor” who is hired in conjunction with the Company’s transcatheter heart valve products;
6. Employees who are classified as interns, unless they are credited with 1,000 hours of service within a consecutive 12 month period; and
7. Individuals employed by an employer whose entire amount of non-imputed U.S. source income is paid to a U.S. taxing authority.

Plan Administration

The Plan is administered by the Administrative and Investment Committee for the Edwards Lifesciences Corporation Employee Benefit Plans (the “Committee”). The Committee has authority, responsibility, and control over the

management of the assets of the Plan. Members of the Committee are appointed by the Board of Directors of the Company and are employees of the Company. Voya Institutional Trust Company (“Trustee”) serves as trustee and custodian of the Plan’s assets, and Voya Institutional Plan Services, LLC provides record keeping services for the Plan.

Contributions

The Plan allows tax deferred contributions intended to qualify under Section 401(k) of the Internal Revenue Code (“IRC”). Eligible participants may make pre-tax and/or Roth contributions up to 25% of their eligible annual compensation within certain limitations. The Company matches the first 3% of the participant’s annual eligible compensation contributed to the Plan on a dollar-for-dollar basis. The Company matches the next 2% of the participant’s annual eligible compensation to the Plan on a 50% basis. In addition, if a participant is age 50 or older, the participant is allowed to make additional catch-up contributions within certain IRC limitations. Certain employees are also eligible for transitional contributions related to the Company’s spin-off from Baxter International, as described more fully in the Plan document. Beginning July 1, 2018, the

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Company will match the first 4% of the participant's annual eligible compensation contributed to the Plan on a dollar-for-dollar basis, and the next 2% of the participant's annual eligible compensation to the Plan on a 50% basis.

The Plan has an automatic enrollment feature whereby eligible employees are automatically enrolled in the Plan at a pre-tax contribution rate of 3% of eligible pay. Participant contribution rates are automatically increased by 1% each year thereafter until they reach 5% of eligible pay (6% beginning July 1, 2018). Employees may opt out of the automatic enrollment, stop contributions, or modify their contribution rate at any time.

Participant Accounts

Each participant's account is credited with the participant's contributions, the Company's matching contributions, and the allocation of the participant's share of the Plan's net earnings and losses, net of certain investment management fees. Allocations are based on participant account balances, as defined.

Vesting

Participants are immediately fully vested in their Plan accounts (other than their Company matching contributions) plus actual earnings thereon. Vesting in a participant's Company matching contributions plus actual earnings thereon is based on years of continuous service. A participant vests in Company matching contributions in annual increments of 20% and, therefore, is 100% vested after five years of credited service. Upon termination of service due to death, disability, or attainment of normal retirement age, a participant shall become fully vested.

Notes Receivable from Participants

Participants may borrow an amount ranging from a minimum of \$500 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balances. The notes bear interest based on the applicable prime rate at the time of issuance plus 1%, and have a maximum term of five years (or ten years if used to acquire a home). The loans are collateralized by the participants' vested interest in their accounts and any additional collateral as the Committee may require. Principal and interest are generally paid ratably through payroll deductions.

Payment of Benefits

Upon termination of service or otherwise becoming eligible to receive benefits, a participant may elect to (1) receive a lump-sum amount equal to the value of the participant's vested account, (2) receive periodic installments, or (3) transfer the balance in the participant's vested account to another qualified plan. Vested accounts of \$1,000 or less will be automatically paid in a lump-sum amount. Vested accounts between \$1,000 and \$5,000 will be automatically distributed into an individual retirement account designated by the Committee if the participant does not elect within 90 days to (1) have such distribution paid directly to an eligible retirement plan specified by the participant, or (2) receive the distribution directly in accordance with the Plan.

A participant may make withdrawals from the participant's vested accounts (except as provided in the Plan document) if the participant is over age 59 ½, is fully vested and has completed five years of Plan participation. Withdrawals may also be made for financial hardship, which is determined pursuant to the provisions of the IRC. Upon making a hardship withdrawal, a participant may not make additional pre-tax contributions for a period of 6 months from the date of the withdrawal payment.

Administrative Expenses

Substantially all investment manager, trustee, and administrative fees incurred in the administration of the Plan are paid from the assets of the Plan.

Forfeitures

A participant's non-vested balance is forfeited at the time of termination of employment. Forfeitures may be used to offset future Company matching contributions. Forfeitures of \$532,798 and \$460,584 were used to offset Company matching contributions during 2017 and 2016, respectively. Forfeitures outstanding were \$448,490 and \$526,801 at December 31, 2017 and 2016, respectively.

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2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements of the Plan have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Investment Valuation and Income Recognition

The Plan's investment in the Master Trust (see Note 4) is recorded at the net asset value ("NAV") of the underlying investments within the Master Trust. The Master Trust's assets are primarily invested in funds managed by the Trustee through a commingled employee benefit funds trust. Units have been purchased in funds which invest primarily in securities of major U.S. companies, international equity securities in both developed and emerging markets, and government agency fixed income securities. These investments are stated at fair value.

Purchases and sales of securities are recorded by the Master Trust on a trade-date basis. Realized gains and losses for security transactions are reported using the average cost method. Net appreciation in the Master Trust includes realized gains and losses on the sale of investments, and unrealized appreciation or depreciation. Interest and dividend income are recorded on an accrual basis, and dividends are recorded on the ex-dividend date.

Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid principal balance plus accrued interest. Delinquent participant loans are treated as distributions based upon the terms of the Plan document. As of December 31, 2017, there were no delinquent participant loans.

Payment of Benefits

Benefits to participants are recorded when paid.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Changes in such estimates may affect amounts reported in future periods.

Risks and Uncertainties

The Plan provides for various investment options in any combination of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits and the Statements of Changes in Net Assets Available for Benefits.

The Plan's Stable Value Fund, a common collective trust fund, invests in a variety of investment contracts such as guaranteed investment contracts, bank investment contracts, and a wrapped portfolio of fixed income instruments.

Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment in the Stable Value Fund at contract value. Certain events may limit the ability of the Plan to transact at contract value with the issuer. The Plan administrator does not believe that the occurrence of any such event is probable.

New Accounting Standards

In February 2017, the Financial Accounting Standards Board ("FASB") issued an amendment to the accounting guidance on employee benefit plans. The amendment requires that a plan's interest in a master trust and any change in that interest be

presented in separate line items on the face of the plan's financial statements. In addition, the amendment requires that all plans disclose the dollar amount of their interest in each type of investment. The guidance is effective for fiscal years beginning after

December 15, 2018. The Company does not expect the adoption of this guidance will have a material impact on the Plan's financial statements.

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3. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The Company prioritizes the inputs used to determine fair values in one of the following three categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Inputs, other than quoted prices in active markets, that are observable, either directly or indirectly.

Level 3 – Unobservable inputs that are not corroborated by market data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table summarizes the Plan's financial instruments which are measured at fair value on a recurring basis as of December 31, 2017 and 2016:

December 31, 2017

	Level 1	Level 2	Level 3	Total
Common stock	\$252,741,986	\$ —	—	\$252,741,986
Mutual funds	272,564,371	—	—	272,564,371
Subtotal	\$525,306,357	\$ —	—	\$525,306,357
Cash and cash equivalents				2,606,076
Common/collective trust funds measured at NAV (a)				283,974,618
Total investments				\$811,887,051

December 31, 2016

	Level 1	Level 2	Level 3	Total
Common stock	\$245,497,485	\$ —	—	\$245,497,485
Mutual funds	200,636,581	—	—	200,636,581
Subtotal	\$446,134,066	\$ —	—	\$446,134,066
Cash and cash equivalents				2,889,390
Common/collective trust funds measured at NAV (a)				224,838,077
Total investments				\$673,861,533

(a) In accordance with ASC Subtopic 820-10, certain investments that were measured at NAV per share have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of net assets available for benefits.

Common stock and mutual fund investments are valued at fair value based on quoted market prices reported on the active markets on which the individual securities are traded, and are categorized as Level 1.

Cash and cash equivalents consist of money market funds and monies on deposit for transactions pending settlement. Common/collective trust funds and money market funds are valued using the NAV provided by the administrator of the fund. The NAV is based on the fair value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding.

As of December 31, 2017, there were no unfunded commitments related to common/collective trust funds or money market funds. Investments in these funds can be redeemed daily and, in general, do not have a redemption notification period. Investments in the Plan's Stable Value Fund can be held in the fund for up to 24 months from the date of a redemption request. It is not probable that investments in these funds would be sold at amounts that differ materially from the NAV of the units held.

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During the years ended December 31, 2017 and 2016, there were no transfers in or out of Levels 1 or 2 of the fair value hierarchy.

4. Investments

The Master Trust, held by Voya Institutional Trust Company, holds the assets of the Plan and the Edwards Lifesciences Technology SARL Retirement Savings Plan.

The accompanying Statements of Net Assets Available for Benefits reflect the apportioned share of the underlying Plan assets and liabilities of the Trust. Allocations of net income from the Trust are based on the Plan's net assets at the beginning of the year with adjustments for contributions and benefit payments made during the year.

Summarized financial information for the Trust as of December 31 is as follows:

	December 31,	
	2017	2016
Net assets held by Master Trust:		
Common stock funds	\$263,213,192	\$255,005,550
Mutual funds	279,085,597	205,748,658
Common/collective trusts	304,858,796	243,990,221
Cash and cash equivalents	2,606,236	2,889,522
Net assets held by Master Trust	849,763,821	707,633,951
% of Plan net assets held by Master Trust	95.54	% 95.23

Investment income from Master Trust investments for the years ended December 31, 2017 and 2016 is as follows:

	Years Ended December 31,	
	2017	2016
Net appreciation in fair value	\$111,630,226	\$56,777,404
Dividend income	10,092,277	8,080,832
Interest income	3,002,157	2,107,872
Investment income	\$124,724,660	\$66,966,108
% of Plan investment income from Master Trust	96.02	% 95.54

5. Distribution Priorities upon Termination of the Plan

Although it has not expressed any intent to do so, the Company has the right under the Plan to reduce, suspend, or discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. Upon termination of the Plan, the account balance of each participant will become 100% vested and all assets, net of expenses, will be distributed to the participants or the participants' beneficiaries.

6. Tax Status of the Plan

The Company has received a favorable determination letter from the Internal Revenue Service ("IRS") on the Plan's federal income tax status. The Plan Administrator believes the Plan is currently designed and is being operated in compliance with the applicable requirements of the IRC and, therefore, believes that the Plan is qualified and the related trust is tax exempt.

Accounting principles generally accepted in the United States require the Plan's management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Department of Labor or IRS. The Plan Administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions.

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7. Exempt Party-in-Interest Transactions

Parties-in-interest are defined under the Department of Labor regulations as any fiduciary of the Plan, any party rendering service to the Plan, an employer whose employees are covered by the Plan, and certain others. At December 31, 2017 and 2016, the Plan, through its investment in the Master Trust, held shares of common stock of the Company, as follows:

	2017	2016
Shares of Edwards Lifesciences stock held by Plan	2,103,613	2,480,675
Value of Edwards Lifesciences stock held by Plan	\$ 237,098,179	\$ 232,439,224
Plan's investment in Edwards Lifesciences stock as percentage of total net assets available for benefits	28.8	% 34.0

Also, certain assets of the Master Trust are loans to Plan participants. These transactions are allowable party-in-interest transactions under ERISA and the regulations promulgated thereunder.

8. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of amounts reported in the financial statements to amounts reported on Form 5500 as of and for the years ended December 31, 2017 and 2016:

	2017	2016
Statement of Net Assets Available for Benefits:		
Net assets available for benefits per the financial statements	\$ 822,948,174	\$ 684,332,564
Deemed distributions	(70,718)	(52,653)
Net assets available for benefits per Form 5500	\$ 822,877,456	\$ 684,279,911

	2017	2016
Statement of Changes in Net Assets Available for Benefits:		
Net increase in net assets available for benefits per the financial statements	\$ 138,615,610	\$ 94,232,218
Prior year adjustment from contract value to fair value for fully benefit-responsive investment contracts	—	(637,010)
Deemed distributions	(18,065)	(52,653)
Net asset conversions	(55,484)	—
Net income per Form 5500	\$ 138,542,061	\$ 93,542,555

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Edwards Lifesciences Corporation
 401(k) Savings and Investment Plan
 Schedule H – line 4i – Schedule of Assets (Held at End of Year)
 As of December 31, 2017

(a) Identity of issue, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity value	(d) Cost ** (e) Current value
* Notes Receivable from Participants	Varying maturity dates with interest rates ranging from 4.3% to 6.0%	— \$10,547,585

* Party-in-interest for which a statutory exemption exists.

** Cost information is not required for participant-directed investments and, therefore, has not been included in this schedule.

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SIGNATURE

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the administrator of the Plan has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

EDWARDS LIFESCIENCES
CORPORATION
401(K) SAVINGS AND
INVESTMENT PLAN

June 15, 2018 By: /s/ CHRISTINE Z. MCCAULEY
Christine Z. McCauley
Member of the Administrative and
Investment Committee for the
Edwards Lifesciences Corporation
Employee Benefit Plans

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EXHIBIT INDEX

Exhibit No. Description

23.1	Consent of Independent Registered Public Accounting Firm—Moss Adams LLP
23.2	Consent of Independent Registered Public Accounting Firm—Hein & Associates LLP