



Financial Statements of

**THE OTTAWA HOSPITAL
FOUNDATION/LA FONDATION
DE L'HÔPITAL D'OTTAWA**

Year ended March 31, 2008



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AUDITORS' REPORT TO THE MEMBERS OF THE FOUNDATION

We have audited the statement of financial position of The Ottawa Hospital Foundation/La Fondation de l'Hôpital d'Ottawa as at March 31, 2008 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 plan and perform an audit to obtain reasonable assurance 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.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Ottawa Hospital Foundation/La Fondation de l'Hôpital d'Ottawa as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, except for the change in the method of accounting for financial instruments and change in accounting policy, as explained in notes 1 and 2 to the financial statements, these principles have been applied on a basis consistent with that of the preceding year.

Chartered Accountants, Licensed Public Accountants

Ottawa, Canada

May 2, 2008

THE OTTAWA HOSPITAL FOUNDATION/LA FONDATION DE L'HÔPITAL D'OTTAWA

Statement of Financial Position

March 31, 2008, with comparative figures for 2007

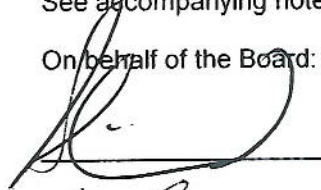
	2008	2007
Assets		
Current assets:		
Cash	\$ 1,207,273	\$ 3,064,988
Amounts receivable (note 10)	650,554	262,095
Deferred charges	7,884	24,918
	<u>1,865,711</u>	<u>3,352,001</u>
Investments (notes 1 and 5)	80,042,067	69,957,572
Capital assets	851,323	625,548
Less accumulated amortization	<u>524,198</u>	<u>471,041</u>
	327,125	154,507
	<u>\$ 82,234,903</u>	<u>\$ 73,464,080</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable (note 10)	\$ 699,473	\$ 1,723,610
Grants payable to The Ottawa Hospital	4,026,284	287,725
Grants payable to The Ottawa Health Research Institute	2,279,076	1,871,694
Deferred revenue	38,917	36,089
	<u>7,043,750</u>	<u>3,919,118</u>
Fund balances:		
Invested in capital assets	327,125	154,507
Restricted	6,515,455	4,747,473
Endowment	64,954,555	58,486,137
Unrestricted	<u>3,394,018</u>	<u>6,156,845</u>
	75,191,153	69,544,962
Future accounting standards (note 3)		
Contingent liability (note 9)		
	<u>\$ 82,234,903</u>	<u>\$ 73,464,080</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

THE OTTAWA HOSPITAL FOUNDATION/LA FONDATION DE L'HÔPITAL D'OTTAWA

Statement of Operations

Year ended March 31, 2008, with comparative figures for 2007

	Restricted Fund	Endowment Fund	Unrestricted Fund	2008 Total	2007 Total
Revenue:					
Donations	\$ 15,112,423	\$ 2,054,206	\$ 2,570,052	\$ 19,736,681	\$ 23,780,438
Lottery proceeds (note 6)	—	—	426,631	426,631	619,179
Investment (notes 1 and 5)	133,535	1,936,254	155,790	2,225,579	8,374,626
	15,245,958	3,990,460	3,152,473	22,388,891	32,774,243
Expenses:					
Direct fundraising	—	—	1,028,928	1,028,928	921,869
Other fundraising	—	—	2,565,751	2,565,751	2,186,961
Administrative	—	—	908,781	908,781	981,229
	—	—	4,503,460	4,503,460	4,090,059
Excess (deficiency) of revenue over expenses, before grants	15,245,958	3,990,460	(1,350,987)	17,885,431	28,684,184
Grants (note 7)	18,049,309	2,291,515	36,447	20,377,271	25,643,654
Excess (deficiency) of revenue over expenses and grants	\$(2,803,351)	\$ 1,698,945	\$(1,387,434)	\$(2,491,840)	\$ 3,040,530

See accompanying notes to financial statements.

THE OTTAWA HOSPITAL FOUNDATION/LA FONDATION DE L'HÔPITAL D'OTTAWA

Statement of Changes in Fund Balances

Year ended March 31 2008, with comparative figures for 2007

	Invested in Capital Assets	Restricted Fund	Endowment Fund	Unrestricted Fund	2008 Total	2007 Total
Balance, beginning of year, as previously reported	\$ 154,507	\$ 4,747,473	\$ 58,486,137	\$ 6,156,845	\$ 69,544,962	\$ 66,504,432
Adoption of new accounting standards (notes 1 and 5)	-	1,220,705	6,103,523	813,803	8,138,031	-
Balance, beginning of year as restated	154,507	5,968,178	64,589,660	6,970,648	77,682,993	66,504,432
Excess (deficiency) of revenue over expenses and grants	-	(2,803,351)	1,698,945	(1,387,434)	(2,491,840)	3,040,530
Purchase of capital assets	225,775	-	-	(225,775)	-	-
Amortization of capital assets	(53,157)	-	-	53,157	-	-
Interfund transfers (note 8)	-	3,350,628	(1,334,050)	(2,016,578)	-	-
Balance, end of year	\$ 327,125	\$ 6,515,455	\$ 64,954,555	\$ 3,394,018	\$ 75,191,153	\$ 69,544,962

See accompanying notes to financial statements.

THE OTTAWA HOSPITAL FOUNDATION/LA FONDATION DE L'HÔPITAL D'OTTAWA

Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Cash from operating activities:		
Excess of revenue over expenses, before grants	\$ 17,885,431	\$ 28,684,184
Amortization of capital assets, which does not involve cash	53,157	95,105
Net change in non-cash working capital:		
Amounts receivable	(388,459)	(29,112)
Deferred charges	17,034	(7,604)
Accounts payable	(1,024,137)	(128,640)
Deferred revenue	2,828	(18,072)
Grants payable	4,145,941	(2,262,745)
Net cash generated from operating activities	20,691,795	26,333,116
Cash from investing activities:		
Net change in investments	(1,946,464)	(1,086,727)
Purchase of capital assets	(225,775)	(124,217)
	(2,172,239)	(1,210,944)
Cash from other activities:		
Grants	(20,377,271)	(25,643,654)
Decrease in cash	(1,857,715)	(521,482)
Cash, beginning of year	3,064,988	3,586,470
Cash, end of year	\$ 1,207,273	\$ 3,064,988

See accompanying notes to financial statements.

THE OTTAWA HOSPITAL FOUNDATION/LA FONDATION DE L'HÔPITAL D'OTTAWA

Notes to Financial Statements

Year ended March 31, 2008

The Ottawa Hospital Foundation ("the Foundation") is a public foundation incorporated under the Canada Corporations Act. The mission of the Foundation is to inspire, enable and recognize community support for patient care and enable research at The Ottawa Hospital and the Ottawa Health Research Institute.

The Foundation is a registered charity under the Income Tax Act (Business Number 869042747RR0001) and as such is exempt from income taxes and may issue charitable donation receipts.

1. Adoption of new accounting standards:

(a) Financial instruments:

Effective April 1, 2007, The Ottawa Hospital Foundation adopted the new standards for Financial Instruments in accordance with various sections of the CICA Handbook including Section 3855 "*Financial Instruments – Recognition and Measurement*". In accordance with the transitional provisions of this Section, the Foundation has prospectively adopted the recommendations, and therefore the 2007 comparative figures have not been restated. The impact of the implementation of these standards on these financial statements is described below.

The Foundation has designated its investments as "held for trading", and as such, investments are recorded at fair value on the statement of financial position. In prior years, investments in pooled funds were recorded at market value and other investments were recorded at cost. As a result, there has been an increase of \$8,138,031 to the opening balance of net assets which represents the excess of the market value of investments over historical cost at April 1, 2007.

The Foundation has classified accounts receivable as loans and receivables and accounts payable and accrued liabilities and grants payable as other financial liabilities. These classifications have no impact on these financial statements.

(b) Accounting changes:

Effective January 1, 2008, the Foundation adopted the revised CICA Handbook Section 1506 "*Accounting Changes*" relating to changes in accounting policies, changes in accounting estimates and errors. Adoption of these recommendations had no effect on the financial statements for the year ended March 31, 2008, except for the disclosure of accounting changes that have been issued by the CICA but have not yet been adopted by the Foundation because they are not effective until a future date (refer to Future Accounting Standards in note 3).

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Notes to Financial Statements, page 2

Year ended March 31, 2008

2. Change in accounting policy:

During the year, the Foundation entered into a joint agreement with The Children's Hospital of Eastern Ontario Foundation for the execution of the home lottery. As a result of this change in circumstance, the Foundation has changed its revenue recognition policy for the home lottery. In prior years net home lottery proceeds were recognized in the fiscal year in which tickets were sold. Projected expenses including the cost of prizes were prorated based on tickets sold during the fiscal period. Under the new policy, net home lottery proceeds are recognized in the year in which the home lottery draw is held. The change has been applied prospectively and therefore prior year comparative amounts have not been restated.

3. Future accounting standards:

On December 1, 2006, the CICA issued two new accounting standards: Handbook Section 3862 "*Financial Instruments – Disclosures*"; Handbook Section 3863 "*Financial Instruments – Presentation*". These standards are effective for the Foundation reporting period beginning on April 1, 2008. The new Handbook Sections 3862 and 3863 replace Handbook Section 3861 "*Financial Instruments - Disclosure and Presentation*", revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Foundation is currently assessing the impact of these new accounting standards on its financial statements.

4. Significant accounting policies:

(a) Fund accounting:

The Foundation follows the restricted fund method of accounting for not-for-profit organizations. Resources received and expended are classified for accounting and reporting purposes into funds according to objectives specified externally by donors or internally by the Board of Directors.

(i) Restricted fund:

The restricted fund includes those resources to be used for identified purposes as specified externally by donors or internally by the Board of Directors.

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Notes to Financial Statements, page 3

Year ended March 31, 2008

4. Significant accounting policies (continued):

(a) Fund accounting (continued):

(ii) Endowment fund:

The endowment fund includes those resources for which the donor has stipulated that the capital portion of the funds be maintained permanently and funds designated internally to be for endowment purposes and not available for other purposes without the approval of the Board of Directors.

(iii) Unrestricted fund:

The unrestricted fund accounts for the Foundation's general fundraising, granting and administrative activities.

(b) Revenue recognition:

Donations are recorded as revenue when cash is received.

Unrestricted donations are recorded as revenue of the unrestricted fund.

Designated donations represent contributions received for specific purposes and are recorded as revenue of the restricted fund.

Endowment donations represent contributions received where only the income earned from investment of the amounts received can be expended and are recorded as revenue of the endowment fund.

Net home lottery proceeds are recognized in the fiscal year in which the draw takes place. Staff lottery net proceeds are recognized in the fiscal year in which the twelve month lottery begins.

(c) Investments:

Investments are designated as held for trading and are recorded at fair value. Fair value is determined at quoted market values. Sales and purchases of investments are recorded on the settlement date.

Donated investments are initially recorded at fair value on the date of the delivery of the investment to the Foundation.

(d) Capital assets:

Furniture and equipment are recorded at cost and are amortized on a straight-line basis over five years. Donor walls are recorded at cost and amortized on a straight-line basis over ten years.

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Year ended March 31, 2008

4. Significant accounting policies (continued):

(e) Deferred charges and deferred revenue:

Expenses incurred and revenue received with respect to specific fundraising projects have been recorded as deferred charges and deferred revenue until the project is complete.

(f) Donations-in-kind:

When fair value can be determined, donations-in-kind are recorded at fair value at the time of the donation.

(g) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenue and expenses during the period. Actual results could differ from these estimates.

5. Investments:

As explained in note 1(a), effective April 1, 2007, The Ottawa Hospital Foundation adopted the new CICA standard for financial instruments.

In accordance with this standard, as at April 1, 2007, the Foundation was required to adjust its investments from a historical cost basis to fair market value. The effect of this was an immediate recognition of unrealized gains of \$8,138,031 into the 2008 opening fund balance.

Investments are comprised of:

	2008 Market value	2007 Market value	2007 Book value	2007 Unrealized gains
Cash, treasury bills and term deposits	\$ 6,238,664	\$ 6,719,905	\$ 6,639,350	\$ 80,555
Fixed income securities	28,259,003	28,279,178	28,078,854	200,324
Equity investments	45,544,400	43,096,520	35,239,368	7,857,152
	<u>\$ 80,042,067</u>	<u>\$ 78,095,603</u>	<u>\$ 69,957,572</u>	<u>\$ 8,138,031</u>

As investments were carried on a historical cost basis in 2007 and prior years, the Foundation did not recognize any unrealized gains or losses. With the adoption of this new standard in 2008, investments are now carried at their fair market value and investment income correspondingly includes unrealized gains and/or losses.

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Notes to Financial Statements, page 5

Year ended March 31, 2008

5. Investments (continued):

Investment income is summarized as follows:

	2008	2007
Interest, dividends and other	\$ 2,078,993	\$ 8,374,626
Net realized gains	5,316,062	-
Change in unrealized gains and losses (note 1)	(5,169,476)	-
Investment income	\$ 2,225,579	\$ 8,374,626

As at March 31, 2008, the market value of investments include unrealized gains of \$2,968,555. This is a decrease of \$5,169,476 from the unrealized gains of \$8,138,031 as at March 31, 2007.

6. Lottery proceeds:

The Foundation reports the net proceeds from its two lotteries (Home Lottery and Staff Lottery).

	2008	2007
Revenue	\$ 1,296,974	\$ 2,888,130
Expenses	870,343	2,268,951
Net lottery proceeds	\$ 426,631	\$ 619,179

7. Grants:

During this fiscal year, grants of \$20,377,271 (2007 - \$25,643,654) were approved for distribution as follows:

	2008	2007
The Ottawa Hospital – capital acquisitions and patient care	\$ 12,528,024	\$ 16,679,459
Ottawa Health Research Institute – capital acquisitions and health research	7,849,247	8,964,195
	\$ 20,377,271	\$ 25,643,654

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Year ended March 31, 2008

12. Pension plan:

Substantially all of the employees of the Foundation are members of the Hospitals of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, which provide the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 1.3% of salary contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent triennial actuarial valuation of the Plan as at December 31, 2004 indicates the plan is fully funded. Contributions to the plan made during the year by the Foundation on behalf of its employees amounted to \$188,865 (2007 - \$146,597) and are included in the statement of operations.

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Year ended March 31, 2008

8. Interfund transfers:

Interfund transfers comprise the following:

- net proceeds of various special events which were internally restricted for various purposes;
- an administrative levy charged by the unrestricted fund to the other funds; and
- allocation between funds to reflect board decisions and donor wishes.

9. Contingent liability:

The Foundation is contingently liable under letters of credit for \$113,600 related to lottery licenses, which have been issued in the normal course of operations.

10. Related party transactions:

The Ottawa Hospital makes certain payments on behalf of the Foundation. Included in accounts payable is an amount of \$431,729 (2007 - \$205,362) payable to The Ottawa Hospital as reimbursement of these payments.

The Ottawa Hospital collects ticket sales and disburses cash prizes for The Ottawa Hospital Staff Lottery. Included in amounts receivable is an amount of \$230,408 (2007 - \$195,785) relating to these activities.

Other related party amounts are disclosed in note 7.

11. Financial instruments:

The carrying values of cash, amounts receivable, accounts payable and grants payable approximate their fair values due to the short term to maturities.

Investments are recorded at fair value.