



Financial Statements of

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

Year ended March 31, 2009



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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, 2009 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, 2009 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, these principles have been applied on a basis consistent with that of the preceding year.

Chartered Accountants, Licensed Public Accountants

Ottawa, Canada

May 12, 2009

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

Statement of Financial Position

March 31, 2009, with comparative figures for 2008

| | 2009 | 2008 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 2,229,628 | \$ 1,207,273 |
| Amounts receivable (note 8) | 343,199 | 650,554 |
| Deferred charges | 32,447 | 7,884 |
| | <u>2,605,274</u> | <u>1,865,711</u> |
| Investments (note 3) | 70,845,386 | 80,042,067 |
| Capital assets | 942,133 | 851,323 |
| Less accumulated amortization | <u>594,503</u> | <u>524,198</u> |
| | 347,630 | 327,125 |
| | <u>\$ 73,798,290</u> | <u>\$ 82,234,903</u> |
| Liabilities and Fund Balances | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 8) | \$ 429,814 | \$ 699,473 |
| Grants payable to The Ottawa Hospital | 6,975,115 | 4,026,284 |
| Grants payable to The Ottawa Hospital Research Institute | 2,209,914 | 2,279,076 |
| Deferred revenue | 66,720 | 38,917 |
| | <u>9,681,563</u> | <u>7,043,750</u> |
| Fund balances: | | |
| Invested in capital assets | 347,630 | 327,125 |
| Restricted | 5,066,352 | 6,515,455 |
| Endowment | 54,490,638 | 64,954,555 |
| Unrestricted | <u>4,212,107</u> | <u>3,394,018</u> |
| | 64,116,727 | 75,191,153 |
| Contingent liability (note 7) | | |
| | <u>\$ 73,798,290</u> | <u>\$ 82,234,903</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, 2009, with comparative figures for 2008

| | Restricted Fund | Endowment Fund | Unrestricted Fund | 2009 Total | 2008 Total |
|--|--------------------|-------------------|----------------------|----------------|---------------|
| Revenue: | | | | | |
| Donations | \$ 13,433,331 | \$ 1,308,759 | \$ 3,053,696 | \$ 17,795,786 | \$ 19,736,681 |
| Lottery proceeds (note 4) | — | — | 344,373 | 344,373 | 426,631 |
| Investment income (loss) (note 3) | (585,833) | (7,132,128) | (759,392) | (8,477,353) | 2,225,579 |
| | 12,847,498 | (5,823,369) | 2,638,677 | 9,662,806 | 22,388,891 |
| Expenses: | | | | | |
| Direct fundraising | — | — | 1,040,701 | 1,040,701 | 1,028,928 |
| Other fundraising | — | — | 2,622,788 | 2,622,788 | 2,565,751 |
| Administrative | — | — | 930,274 | 930,274 | 908,781 |
| | — | — | 4,593,763 | 4,593,763 | 4,503,460 |
| Excess (deficiency) of revenue over expenses, before grants | 12,847,498 | (5,823,369) | (1,955,086) | 5,069,043 | 17,885,431 |
| Grants (note 5) | 14,206,513 | 1,693,890 | 243,066 | 16,143,469 | 20,377,271 |
| Deficiency of revenue over expenses and grants | \$(1,359,015) | \$(7,517,259) | \$(2,198,152) | \$(11,074,426) | \$(2,491,840) |

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 2009, with comparative figures for 2008

| | Invested in Capital Assets | Restricted Fund | Endowment Fund | Unrestricted Fund | 2009 Total | 2008 Total |
|---|-------------------------------|--------------------|-------------------|----------------------|---------------|---------------|
| Balance, beginning of year | \$ 327,125 | \$ 6,515,455 | \$ 64,954,555 | \$ 3,394,018 | \$ 75,191,153 | \$ 77,682,993 |
| Deficiency of revenue over expenses and grants | - | (1,359,015) | (7,517,259) | (2,198,152) | (11,074,426) | (2,491,840) |
| Purchase of capital assets | 90,810 | - | - | (90,810) | - | - |
| Amortization of capital assets | (70,305) | - | - | 70,305 | - | - |
| Interfund transfers (note 6) | - | (90,088) | (2,946,658) | 3,036,746 | - | - |
| Balance, end of year | \$ 347,630 | \$ 5,066,352 | \$ 54,490,638 | \$ 4,212,107 | \$ 64,116,727 | \$ 75,191,153 |

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, 2009, with comparative figures for 2008

| | 2009 | 2008 |
|---|--------------|---------------|
| Cash from operating activities: | | |
| Excess of revenue over expenses, before grants | \$ 5,069,043 | \$ 17,885,431 |
| Amortization of capital assets, which does not involve cash | 70,305 | 53,157 |
| Net change in non-cash working capital: | | |
| Amounts receivable | 307,355 | (388,459) |
| Deferred charges | (24,563) | 17,034 |
| Accounts payable and accrued liabilities | (269,659) | (1,024,137) |
| Deferred revenue | 27,803 | 2,828 |
| Grants payable | 2,879,669 | 4,145,941 |
| Net cash generated from operating activities | 8,059,953 | 20,691,795 |
| Cash from investing activities: | | |
| Net change in investments | 9,196,681 | (1,946,464) |
| Purchase of capital assets | (90,810) | (225,775) |
| | 9,105,871 | (2,172,239) |
| Cash from other activities: | | |
| Grants | (16,143,469) | (20,377,271) |
| Increase (decrease) in cash | 1,022,355 | (1,857,715) |
| Cash, beginning of year | 1,207,273 | 3,064,988 |
| Cash, end of year | \$ 2,229,628 | \$ 1,207,273 |

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, 2009

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 Hospital 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. 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.

(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.

(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.

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

Statement of Changes in Fund Balances

Year ended March 31 2009, with comparative figures for 2008

| | Invested in Capital Assets | Restricted Fund | Endowment Fund | Unrestricted Fund | 2009 Total | 2008 Total |
|---|-------------------------------|--------------------|-------------------|----------------------|---------------|---------------|
| Balance, beginning of year | \$ 327,125 | \$ 6,515,455 | \$ 64,954,555 | \$ 3,394,018 | \$ 75,191,153 | \$ 77,682,993 |
| Deficiency of revenue over expenses and grants | - | (1,359,015) | (7,517,259) | (2,198,152) | (11,074,426) | (2,491,840) |
| Purchase of capital assets | 90,810 | - | - | (90,810) | - | - |
| Amortization of capital assets | (70,305) | - | - | 70,305 | - | - |
| Interfund transfers (note 6) | - | (90,088) | (2,946,658) | 3,036,746 | - | - |
| Balance, end of year | \$ 347,630 | \$ 5,066,352 | \$ 54,490,638 | \$ 4,212,107 | \$ 64,116,727 | \$ 75,191,153 |

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, 2009, with comparative figures for 2008

| | 2009 | 2008 |
|---|--------------|---------------|
| Cash from operating activities: | | |
| Excess of revenue over expenses, before grants | \$ 5,069,043 | \$ 17,885,431 |
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| Net change in non-cash working capital: | | |
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| Net change in investments | 9,196,681 | (1,946,464) |
| Purchase of capital assets | (90,810) | (225,775) |
| | 9,105,871 | (2,172,239) |
| Cash from other activities: | | |
| Grants | (16,143,469) | (20,377,271) |
| Increase (decrease) in cash | 1,022,355 | (1,857,715) |
| Cash, beginning of year | 1,207,273 | 3,064,988 |
| Cash, end of year | \$ 2,229,628 | \$ 1,207,273 |

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, 2009

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 Hospital Research Institute.

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(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.

(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.

(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.

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

Notes to Financial Statements, page 2

Year ended March 31, 2009

1. Significant accounting policies (continued):

(b) Revenue recognition (continued):

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.

Ottawa Hospital and CHEO 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. Transaction costs related to the acquisition of investments are recorded against investment income. 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.

(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:

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.

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

Notes to Financial Statements, page 3

Year ended March 31, 2009

2. Adoption of new accounting standards and future accounting standards:

(a) Capital disclosures:

Effective April 1, 2008, the Foundation adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, *Capital Disclosures* which establishes standards for disclosing information about the entity's capital and how it is managed. Adoption of these recommendations had no effect on the financial statements for the year ending March 31, 2009, except for the additional note disclosure in note 10.

(b) Financial instruments:

In December 2006, the CICA issued new accounting standards: Handbook Section 3862, *Financial Instruments – Disclosures* and Handbook Section 3863, *Financial Instruments – Presentation*. These standards were expected to be effective for the Foundation's financial statements for the year ended March 31, 2009. However in December 2008, the CICA eliminated the requirement for not-for-profit entities to adopt these standards.

(c) Future accounting standards:

The CICA has issued the following new accounting standards that will come into effect for the Foundation's fiscal year beginning April 1, 2009:

Amendments to Accounting Standards that Apply Only to Not-for-Profit Organizations

In September 2008, the CICA issued amendments to the existing accounting standards applicable to not-for-profit organizations. The amendments affect the financial statement presentation and disclosure requirements for not-for-profit organizations.

Disclosure of Allocated Expenses by Not-for-Profit Organizations

In September 2008, the CICA issued Section 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organizations*. This new section establishes disclosure requirements for not-for-profit organizations that report expenses by function and allocate expenses to a number of functions to which the expenses relate. These not-for-profit organizations will be required to disclose additional information regarding their accounting policies adopted for the allocation of expenses among functions, the nature of these expenses, the basis on which the allocations are being made, and the value of the allocations.

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

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

Notes to Financial Statements, page 4

Year ended March 31, 2009

3. Investments:

Investments are comprised of:

| | 2009 | 2008 |
|--|----------------------|----------------------|
| Cash, treasury bills and term deposits | \$ 8,046,586 | \$ 6,238,664 |
| Fixed income securities | 26,288,719 | 28,259,003 |
| Equity investments | 36,510,081 | 45,544,400 |
| | <u>\$ 70,845,386</u> | <u>\$ 80,042,067</u> |

Investment income (loss) is summarized as follows:

| | 2009 | 2008 |
|---------------------------------------|-----------------------|---------------------|
| Interest, dividends and other | \$ 2,116,883 | \$ 2,078,993 |
| Net realized gains | (1,196,382) | 5,316,062 |
| Change in unrealized gains and losses | (9,397,854) | (5,169,476) |
| Investment income (loss) | <u>\$ (8,477,353)</u> | <u>\$ 2,225,579</u> |

As at March 31, 2009, the market value of investments include unrealized losses of \$6,429,299 (2008 – unrealized gains of \$2,968,555).

4. Lottery proceeds:

The Foundation reports proceeds from two lotteries (The Ottawa Hospital and CHEO lottery and the Staff lottery). The Foundation received \$134,758 from The Ottawa Hospital and CHEO lottery (2008 - \$276,227 from The Ottawa Hospital Home lottery). The Staff lottery resulted in \$294,580 (2008 - \$284,180) of gross proceeds and \$209,615 (2008 - \$150,404) net proceeds.

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

Notes to Financial Statements, page 5

Year ended March 31, 2009

5. Grants:

During this fiscal year, grants of \$16,143,469 (2008 - \$20,377,271) were approved for distribution as follows:

| | 2009 | 2008 |
|--|----------------------|----------------------|
| The Ottawa Hospital – capital acquisitions and patient care | \$ 12,467,800 | \$ 12,528,024 |
| Ottawa Hospital Research Institute – capital acquisitions and health research | 3,675,669 | 7,849,247 |
| | <u>\$ 16,143,469</u> | <u>\$ 20,377,271</u> |

6. 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.

7. Contingent liability:

The Foundation is contingently liable under letters of credit for \$72,000 related to lottery licenses, which have been issued in the normal course of operations.

8. Related party transactions:

The Ottawa Hospital makes certain payments on behalf of the Foundation. Included in accounts payable is an amount of \$226,654 (2008 - \$431,729) 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 \$170,170 (2008 - \$230,408) relating to these activities.

Other related party amounts are disclosed in note 5.

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

Notes to Financial Statements, page 6

Year ended March 31, 2009

9. 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, 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, 2006 indicates the plan is fully funded. Contributions to the plan made during the year by the Foundation on behalf of its employees amounted to \$196,728 (2008 - \$188,865) and are included in the statement of operations.

10. Capital disclosure:

The Foundation defines capital as its fund balances. The Foundation's overall objective with its capital is to fund capital acquisitions and patient care for The Ottawa Hospital, capital acquisitions and health research for the Ottawa Hospital Research Institute and its own capital assets, future projects and ongoing operations. The Foundation manages its capital by establishing restricted funds and appropriating amounts to the restricted funds for anticipated future projects, contingencies and other capital requirements.

The Foundation is not subject to externally imposed capital requirements and its overall strategy with respect to capital remains unchanged from the year ended March 31, 2008.

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.