Financial Statements of

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

Year ended March 31, 2011

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INDEPENDENT AUDITORS' REPORT

To the Members of The Ottawa Hospital Foundation/La Fondation de l'Hôpital d'Ottawa

We have audited the accompanying financial statements of The Ottawa Hospital Foundation/La Fondation de l'Hôpital d'Ottawa, which comprise the statement of financial position as at March 31, 2011, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Ottawa Hospital Foundation/La Fondation de l'Hôpital d'Ottawa as at March 31, 2011, and its results of 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.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 7, 2011
Ottawa, Canada

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

Statement of Financial Position

March 31, 2011, with comparative figures for 2010

	2011	2010
Assets		
Current assets:		
Cash	$ 5,140,265	$ 1,497,761
Amounts receivable (note 2)	512,786	247,343
Prepaid expenses	–	15,033
	5,653,051	1,760,137
Investments (note 3)	84,106,181	79,536,606
Capital assets (note 4)	339,612	325,899
	$ 90,098,844	$ 81,622,642
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities (note 2)	$ 455,851	$ 364,050
Grants payable to The Ottawa Hospital	9,365,964	8,324,877
Grants payable to the Ottawa Hospital Research Institute	2,728,700	1,876,193
	12,550,515	10,565,120
Fund balances:		
Invested in capital assets	339,612	325,899
Restricted	6,876,219	6,962,678
Endowment	68,547,950	57,457,732
Unrestricted	1,784,548	6,311,213
	77,548,329	71,057,522
Contingent liability (note 8)		
	$ 90,098,844	$ 81,622,642

See accompanying notes to financial statements.

On behalf of the Board:

H N Adra Director

T. G. Cunn Director

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

Statement of Operations

Year ended March 31, 2011, with comparative figures for 2010

	Restricted Fund	Endowment Fund	Unrestricted Fund	2011 Total	2010 Total
Revenue:					
Donations	$ 14,269,630	$ 5,117,245	$ 4,508,306	$ 23,895,181	$ 20,859,132
Lottery (note 5)	–	–	1,910,813	1,910,813	1,860,969
Investment (note 3)	885,728	8,984,197	502,339	10,372,264	7,634,914
	15,155,358	14,101,442	6,921,458	36,178,258	30,355,015
Expenses:					
Direct fundraising	–	–	1,262,969	1,262,969	933,280
Other fundraising	–	–	2,729,845	2,729,845	2,449,938
Lottery (note 5)	–	–	1,428,088	1,428,088	1,443,672
Administrative	–	–	1,097,996	1,097,996	1,043,042
	–	–	6,518,898	6,518,898	5,869,932
Excess of revenue over expenses, before grants	15,155,358	14,101,442	402,560	29,659,360	24,485,083
Grants (note 6)	20,002,124	3,127,702	38,727	23,168,553	17,544,288
Excess (deficiency) of revenue over expenses and grants	$(4,846,766)	$ 10,973,740	$ 363,833	$ 6,490,807	$ 6,940,795

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 2011, with comparative figures for 2010

	Invested in Capital Assets	Restricted Fund	Endowment Fund	Unrestricted Fund	2011 Total	2010 Total
Balance, beginning of year	$ 325,899	$ 6,962,678	$ 57,457,732	$ 6,311,213	$ 71,057,522	$ 64,116,727
Excess (deficiency) of revenue over expenses and grants	–	(4,846,766)	10,973,740	363,833	6,490,807	6,940,795
Purchase of capital assets	81,001	–	–	(81,001)	–	–
Amortization of capital assets	(67,288)	–	–	67,288	–	–
Interfund transfers (note 7)	–	4,760,307	116,478	(4,876,785)	–	–
Balance, end of year	$ 339,612	$ 6,876,219	$ 68,547,950	$ 1,784,548	$ 77,548,329	$ 71,057,522

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, 2011, with comparative figures for 2010

	2011	2010
Cash from operating activities:		
Excess of revenue over expenses, before grants	$ 29,659,360	$ 24,485,083
Amortization of capital assets, which does not involve cash	67,288	66,374
Net change in non-cash working capital:		
Amounts receivable	(265,443)	95,856
Prepaid expenses	15,033	17,414
Accounts payable and accrued liabilities	91,801	(65,764)
Deferred revenue	–	(66,720)
Grants payable	1,893,594	1,016,041
Net cash generated from operating activities	31,461,633	25,548,284
Cash from investing activities:		
Net change in investments	(4,569,575)	(8,691,220)
Purchase of capital assets	(81,001)	(44,643)
	(4,650,576)	(8,735,863)
Cash from other activities:		
Grants	(23,168,553)	(17,544,288)
Increase (decrease) in cash	3,642,504	(731,867)
Cash, beginning of year	1,497,761	2,229,628
Cash, end of year	$ 5,140,265	$ 1,497,761

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, 2011

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) Basis of presentation:

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.

(b) Fund accounting:

(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.

(c) 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.

1. Significant accounting policies (continued):

(c) 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.

(d) Expenses:

In the statement of operations, the Foundation presents its salary expenses by function.

Expenses are recognized in the year incurred and are recorded in the function to which they are directly related.

The Foundation allocates expenses between functions after initial recognition as disclosed in note 12.

(e) Financial instruments:

(i) Investments:

Investments include fixed income securities and equity instruments. Cash and cash equivalents that are held with the investment managers are also included in the investment balance as these amounts are not used to fund operating expenses. 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 long-term investments are recorded on the settlement date. Transaction costs related to the acquisition of investments are expensed.

(ii) Other financial instruments:

The Foundation has classified amounts receivable as loans and receivables and accounts payable and accrued liabilities, grants payable to The Ottawa Hospital and grants payable to the Ottawa Hospital Research Institute as other liabilities. Upon initial recognition, these financial assets and liabilities are recorded at fair value and subsequently measured at amortized cost using the effective interest method of amortization.

1. Significant accounting policies (continued):

(f) 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.

(g) Donations-in-kind:

Donations-in-kind are recorded at fair value at the time of the donation.

(h) 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.

2. Related party transactions:

The Ottawa Hospital makes certain payments on behalf of the Foundation. Included in accounts payable is an amount of $234,329 (2010 - $224,441) 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 $120,063 (2010 - $146,212) relating to these activities.

Other related party amounts are disclosed in note 6.

3. Investments:

Investments comprise the following:

	2011	2010
Cash, treasury bills and term deposits	$ 868,740	$ 7,122,312
Fixed income securities	29,820,637	30,907,905
Equity investments	53,416,804	41,506,389
	$ 84,106,181	$ 79,536,606

Investment income (loss) is summarized as follows:

	2011	2010
Interest, dividends and other	$ 1,521,221	$ 623,613
Net realized gains	1,239,647	651,098
Net change in unrealized gains	7,611,396	6,360,203
Investment income	$ 10,372,264	$ 7,634,914

As at March 31, 2011, the market value of investments includes unrealized gains of $10,551,972 (2010 - $2,940,576).

4. Capital assets:

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	$ 706,804	$ 623,413	$ 83,391	$ 72,903
Donor walls	360,973	104,752	256,221	252,996
	$ 1,067,777	$ 728,165	$ 339,612	$ 325,899

Cost and accumulated amortization as at March 31, 2010 amounted to $986,776 and $660,877 respectively.

5. Lottery proceeds:

The Foundation reports proceeds from two lotteries (The Ottawa Hospital and CHEO lottery and the Staff lottery). The net proceeds from The Ottawa Hospital and CHEO lottery and the Staff lottery were $299,177 (2010 - $233,635) and $183,548 (2010 - $183,662) respectively.

6. Grants:

During this fiscal year, grants of $23,168,553 (2010 - $17,544,288) were approved for distribution as follows:

	2011	2010
The Ottawa Hospital - capital acquisitions and patient care	$ 18,291,200	$ 13,840,747
Ottawa Hospital Research Institute - capital acquisitions and health research	4,877,353	3,703,541
	$ 23,168,553	$ 17,544,288

7. 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.

8. Contingent liability:

The Foundation is contingently liable under letters of credit for $74,000 related to lottery licenses, which have been issued in the normal course of operations.

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 actuarial valuation of the Plan as at April 1, 2009 indicates the plan is fully funded. Contributions to the plan made during the year by the Foundation on behalf of its employees amounted to $207,668 (2010 - $178,984) and are included in the statement of operations.

10. Capital disclosure:

The Foundation defines capital as its unrestricted, restricted, endowment and invested in capital assets fund balances.

The objective of the Foundation with respect to its unrestricted fund balance is to provide funds for future projects, capital acquisitions and ongoing operations.

The objective of the Foundation with respect to its restricted fund is to appropriate funds for anticipated future projects, contingencies and other capital requirements.

The objective of the Foundation with respect to its endowment is to fund capital acquisitions and patient care for The Ottawa Hospital, capital acquisitions and health research for the Ottawa Hospital Research Institute.

The Foundation's overall strategy with respect to capital remains unchanged from the year ended March 31, 2010.

11. Financial instruments:

Fair value:

The Foundation's financial instruments consist of cash, amounts receivable, investments, accounts payable and accrued liabilities, due to The Ottawa Hospital and due to the Ottawa Hospital Research Institute.

The fair value of cash, amounts receivable, accounts payable and accrued liabilities, due to The Ottawa Hospital and due to the Ottawa Hospital Research Institute are recorded at amounts that approximate their fair value.

Investments are recorded at fair value.

Risks arising from financial instruments:

The Foundation is exposed to interest rate, credit, foreign currency and other market risks from its investment portfolio.

Interest rate risk refers to the adverse consequences of interest rate changes. The Foundation has investments in bonds with fixed rates, which are subject to this risk. The value of fixed rate instruments will generally rise if interest rates fall and fall if interest rates rise.

Credit risk is the risk of financial loss if a member or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Organization's investments in bond mutual funds.

Foreign currency risk refers to the extent to which instruments denominated in a currency other than Canadian dollars will be affected by changes in the value of the Canadian dollar in relation to other currencies. The Foundation has investments in various U.S. securities and cash which is subject to this risk. As such, its exposure to currency risk is limited to those investments denominated in US currencies of $10,394,306 (2010 - $9,344,472).

Market volatility risk is generally inherent in the Foundation's investment portfolio and refers to the extent that the fair value or future cash flows from financial instruments will fluctuate because of changes in various other market factors affecting equity prices, including general economic conditions.

The Foundation mitigates the above noted risks through the use of investment policies and managers, whose objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

12. Expense allocation:

Salary and benefit expenses are allocated from fundraising to administration. The expenses are allocated based on specifically identified employees who are not directly involved in fundraising. The amount allocated for the year ended March 31, 2011 is $551,259 (2010 - $447,511).

13. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.