

Financial Statements of

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

March 31, 2012

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Ottawa Hospital Foundation/La Fondation de l'Hôpital d'Ottawa (the "Foundation"), which comprise the statement of financial position as at March 31, 2012, and the statements of operations, changes in net assets, and of cash flows for the year then ended, and 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.

Auditor's 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 the auditor's 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, the auditor considers 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.

Independent Auditor's Report (Continued)

Auditor's Responsibility (Continued)

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 Foundation as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matter

The financial statements as at March 31, 2011 and for the year then ended were audited by other auditors whose report dated June 7, 2011, expressed an unmodified opinion on those statements.

Report on Other Legal and Regulatory Requirements

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.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

May 29, 2012

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

Financial Statements


March 31, 2012

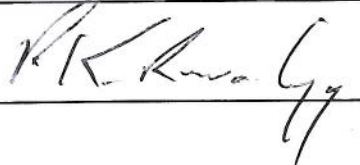
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**THE OTTAWA HOSPITAL FOUNDATION/LA FONDATION
DE L'HÔPITAL D'OTTAWA**
Statement of Financial Position
as at March 31, 2012

	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash	\$ 3,948,102	\$ 5,140,265
Accounts receivable (Note 4)	274,874	512,786
Prepaid expenses	20,513	-
	<u>4,243,489</u>	<u>5,653,051</u>
INVESTMENTS (Note 5)	76,065,731	84,106,181
CAPITAL ASSETS (Note 6)	346,653	339,612
	<u>\$ 80,655,873</u>	<u>\$ 90,098,844</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	\$ 376,308	\$ 455,851
Grants payable to The Ottawa Hospital	7,007,273	9,365,964
Grants payable to the Ottawa Hospital Research Institute	3,859,042	2,728,700
	<u>11,242,623</u>	<u>12,550,515</u>
FUND BALANCES		
Unrestricted fund	203,413	1,784,548
Invested in capital assets	346,653	339,612
Restricted fund	6,613,926	6,876,219
Endowment fund	62,249,258	68,547,950
	<u>69,413,250</u>	<u>77,548,329</u>
	<u>\$ 80,655,873</u>	<u>\$ 90,098,844</u>

APPROVED BY THE BOARD

 Director

 Director

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

Statement of Operations

year ended March 31, 2012

	Unrestricted Fund	Restricted Fund	Endowment Fund	Total 2012	2011
REVENUE					
Donations	\$ 4,962,385	\$ 12,823,594	\$ 1,234,307	\$ 19,020,286	\$ 23,895,181
Lottery (Note 7)	568,470	-	-	568,470	565,417
Investment income (loss) (Note 5)	4,959	39,930	(3,907,734)	(3,862,845)	10,372,264
	5,535,814	12,863,524	(2,673,427)	15,725,911	34,832,862
EXPENDITURES					
Direct fundraising	1,171,791	-	-	1,171,791	1,262,969
Other fundraising	2,764,567	-	-	2,764,567	2,729,845
Lottery (Note 7)	76,841	-	-	76,841	82,692
Administrative	1,020,016	-	-	1,020,016	1,097,996
	5,033,215	-	-	5,033,215	5,173,502
Excess (deficiency) of revenue over expenditures, before grants	502,599	12,863,524	(2,673,427)	10,692,696	29,659,360
GRANTS (Note 8)	29,234	15,196,340	3,602,201	18,827,775	23,168,553
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ 473,365	\$ (2,332,816)	\$ (6,275,628)	\$ (8,135,079)	\$ 6,490,807

THE OTTAWA HOSPITAL FOUNDATION/LA FONDATION

DE L'HÔPITAL D'OTTAWA

Statement of Changes in Net Assets

year ended March 31, 2012

	Unrestricted Fund	Invested in Capital Assets	Restricted Fund	Endowment Fund	Total 2012	2011
NET ASSETS						
BALANCE, BEGINNING OF YEAR	\$ 1,784,548	\$ 339,612	\$ 6,876,219	\$ 68,547,950	\$ 77,548,329	\$ 71,057,522
Excess (deficiency) of revenue over expenditures	473,365	-	(2,332,816)	(6,275,628)	\$ (8,135,079)	6,490,807
Purchase of capital assets	(77,639)	77,639	-	-	-	-
Amortization of capital assets	70,598	(70,598)	-	-	-	-
Interfund transfers (Note 9)	(2,047,459)	-	2,070,523	(23,064)	-	-
BALANCE, END OF YEAR	\$ 203,413	\$ 346,653	\$ 6,613,926	\$ 62,249,258	\$ 69,413,250	\$ 77,548,329

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

Statement of Cash Flows

year ended March 31, 2012

	<u>2012</u>	<u>2011</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (deficiency) of revenue over expenditures	\$ (8,135,079)	\$ 6,490,807
Amortization of capital assets	70,598	67,288
Changes in non-cash operating working capital items:		
Accounts receivable	237,912	(265,443)
Prepaid expenses	(20,513)	15,033
Accounts payable and accrued liabilities	(79,543)	91,801
Grants payable	(1,228,349)	1,893,594
	<u>(9,154,974)</u>	<u>8,293,080</u>
INVESTING		
Net change in investments	8,040,450	(4,569,575)
Purchase of capital assets	(77,639)	(81,001)
	<u>7,962,811</u>	<u>(4,650,576)</u>
NET CASH INFLOW (OUTFLOW)	(1,192,163)	3,642,504
CASH, BEGINNING OF YEAR	5,140,265	1,497,761
CASH, END OF YEAR	\$ 3,948,102	\$ 5,140,265

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

Notes to the Financial Statements

year ended March 31, 2012

1. DESCRIPTION OF OPERATIONS

The Ottawa Hospital Foundation/La Fondation de l'Hôpital d'Ottawa ("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 869042747 RR0001) and, as such, is exempt from income taxes and may issue charitable donation receipts.

2. FUTURE CHANGES IN ACCOUNTING POLICIES

In 2010, the Canadian Institute of Chartered Accountants (CICA) issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on or after January 1, 2012, not-for-profit organization may adopt either the CICA Handbook Part I - *International Financial Reporting Standards* or Part III - *Accounting Standards for Not-for-Profit Organizations*. The Foundation plans to adopt Part III - *Accounting Standards for Not-for-Profit Organizations* effective April 1, 2012. The impact of the transition on the consolidated financial statements has not yet been determined.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with the CICA Handbook - Part V - *Pre-Changeover Accounting Standards* (Canadian GAAP):

Fund accounting

The Foundation uses the restricted fund method of accounting for contributions. To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are classified for reporting purposes into funds, in accordance with activities or objectives specified by the donors or in accordance with directives issued by the Board of Directors. For financial reporting purposes, the fund balances have been classified into three funds consisting of the following:

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.

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

Notes to the Financial Statements

year ended March 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund accounting (Continued)

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.

Unrestricted Fund

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

Revenue recognition

Donations are recorded as revenue when received. Tangible donations-in-kind are recorded at fair value at the time of the donation. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

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 the investment of the amounts received can be expensed.

Unrestricted investment income is recognized as investment income in the unrestricted fund. Externally restricted net investment income that must be added to the principal amount of resources held for endowment is recognized as investment income in the endowment fund. Other externally restricted net investment income is recognized as investment income in the statement of operations in the restricted fund.

The Ottawa Hospital and Children's Hospital of Eastern Ontario (CHEO) lottery proceeds are recognized in the fiscal year in which the draw takes place. The TOH Staff lottery net proceeds are recognized in the fiscal year in which the twelve month lottery begins.

Expenses

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

The Foundation allocates expenses between functions after initial recognition as disclosed in Note 14.

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

Notes to the Financial Statements

year ended March 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Cash

Cash is designated as held-for-trading and is recorded at fair value.

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.

Other financial instruments

The Foundation has classified accounts receivable as loans and receivable 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.

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.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP 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. The most significant estimates used in the preparation of the financial statements include the fair value of investments, the amount of accrued liabilities and the estimated useful lives of capital assets. Actual results could differ from these estimates.

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

Notes to the Financial Statements

year ended March 31, 2012

4. RELATED PARTY TRANSACTIONS

The Ottawa Hospital makes certain payments on behalf of the Foundation. Included in accounts payable is an amount of \$327,698 (2011 - \$234,329) payable to The Ottawa Hospital as reimbursement of these payments.

The Ottawa Hospital collects ticket sales and disburses cash prizes for the Staff Lottery. Included in accounts receivable is an amount of \$100,970 (2011 - \$120,063) relating to these activities.

Other related party transactions are disclosed in Note 8.

5. INVESTMENTS

Investments are comprised of the following:

	<u>2012</u>	<u>2011</u>
Cash, treasury bills and term deposits	\$ 3,599,073	\$ 868,740
Fixed income securities	26,930,798	29,820,637
Equity investments	45,535,860	53,416,804
Investments	<u>\$ 76,065,731</u>	<u>\$ 84,106,181</u>

Investment income (loss) is summarized as follows:

	<u>2012</u>	<u>2011</u>
Interest, dividends and other	\$ 2,124,164	\$ 1,521,221
Net realized gains (losses)	(1,691)	1,239,647
Net change in unrealized gains (losses)	(5,985,318)	7,622,396
Investment income	<u>\$ (3,862,845)</u>	<u>\$ 10,383,264</u>

As at March 31, 2012, the market value of investments includes unrealized gains of \$4,566,654 (2011 - \$10,551,972).

Included in endowment investments is a donor advised fund managed by a third party; the Foundation does not control the investment strategy of this fund. The fair value of this fund as at March 31, 2012 is \$10,400,341 (2011 - \$15,689,700). Unrealized losses of the donor advised fund for the year are \$4,289,359 (2011- gains of \$4,821,713).

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

Notes to the Financial Statements year ended March 31, 2012

6. CAPITAL ASSETS

	2012			2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$ 721,195	\$ 653,601	\$ 67,594	\$ 83,391
Donor walls	424,221	145,162	279,059	256,221
	\$ 1,145,416	\$ 798,763	\$ 346,653	\$ 339,612

Cost and accumulated amortization as at March 31, 2011 amounted to \$1,067,777 and \$728,165 respectively.

7. 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 \$340,711 (2011 - \$299,177) and \$150,918 (2011 - \$183,548), respectively. The Ottawa Hospital and CHEO lottery amounts are presented in a net basis, and the Staff lottery amounts are presented on a gross basis.

8. GRANTS

During this fiscal year, grants of \$18,827,775 (2011 - \$23,168,553) were approved for distribution as follows:

	2012	2011
The Ottawa Hospital - capital acquisitions and patient care	\$ 11,782,320	\$ 18,291,200
Ottawa Hospital Research Institute - capital acquisitions and health research	7,045,455	4,877,353
	\$ 18,827,775	\$ 23,168,553

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

Notes to the Financial Statements

year ended March 31, 2012

9. INTERFUND TRANSFERS

During the year, the Foundation transferred \$2,047,459 from the unrestricted fund to the restricted fund to restrict funding received from various sources. In addition, the Foundation transferred \$24,064 from the endowment fund to the restricted fund to allocate excess investment income for various projects.

10. CONTINGENT LIABILITY

The Foundation is contingently liable under letters of credit for \$72,000 (2011 - \$74,000) related to lottery licenses, which have been issued in the normal course of operations and were unused as at March 31, 2012.

11. PENSION PLANS

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 funding valuation of the Plan as at April 1, 2009 indicates the plan is fully funded on a going concern basis. Contributions to the plan made during the year by the Foundation on behalf of its employees amounted to \$222,673 (2011 - \$207,668) and are included in the statement of operations.

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

Notes to the Financial Statements

year ended March 31, 2012

12. 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 fund is to fund capital acquisitions and patient care for The Ottawa Hospital, capital acquisitions and health research for the Ottawa Hospital Research Institute.

There have been no changes to the Foundation's capital requirements and its overall strategy with regards to capital remains unchanged from the prior year.

13. FINANCIAL INSTRUMENTS

Fair value

The Foundation's financial instruments consist of cash, accounts 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, accounts 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 due to their short term maturity.

The fair value of investments is disclosed in Note 5.

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.

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

Notes to the Financial Statements

year ended March 31, 2012

13. FINANCIAL INSTRUMENTS (Continued)

Risks arising from financial instruments (Continued)

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 Foundation's investments in fixed income securities.

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 foreign currency risk. As such its exposure to currency risk is limited to those investments denominated in U.S. currencies of \$9,415,510 (2011 - \$10,394,306).

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.

14. 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, 2012 is \$499,599 (2011 - \$551,259).

15. COMPARATIVE FIGURES

Comparative figures have been reclassified to conform to the current year presentation.