

Financial Statements of

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

March 31, 2013

Independent Auditor's 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 (the "Foundation"), which comprise the statement of financial position as at March 31, 2013 and the statements of operations, changes in fund balances and 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 accounting standards for not-for-profit organizations, 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, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the financial statements and the fact that the Foundation adopted Canadian accounting standards for not-for-profit organizations on April 1, 2012, with its transition date being April 1, 2011. These standards have been applied retrospectively by management to comparative figures included in these financial statements, including the statements of financial position as at March 31, 2012 and April 1, 2011 and the statements of operations, changes in fund balances and cash flows for the year ended March 31, 2012, including the accompanying notes. We did not have the engagement to report on the restated comparative figures and as such, they have not been audited.

Deloitte LLP

Chartered Accountants
Licensed Public Accountants

May 30, 2013

**THE OTTAWA HOSPITAL FOUNDATION/LA FONDATION DE
L'HÔPITAL D'OTTAWA**
Financial Statements
March 31, 2013

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

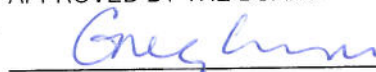
Statement of Financial Position

as at March 31, 2013

	March 31, 2013	March 31, 2012 (Unaudited) (Note 2)	April 1, 2011 (Unaudited) (Note 2)
CURRENT ASSETS			
Cash	\$ 6,605,578	\$ 3,948,102	\$ 5,140,265
Accounts receivable (Note 4)	270,135	274,874	512,786
Prepaid expenses	18,444	20,513	-
	6,894,157	4,243,489	5,653,051
INVESTMENTS (Note 5)	70,760,111	76,065,731	84,106,181
CAPITAL ASSETS (Note 6)	335,124	346,653	339,612
	\$ 77,989,392	\$ 80,655,873	\$ 90,098,844
CURRENT LIABILITIES			
Accounts payable and accrued liabilities (Note 4)	\$ 492,650	\$ 376,308	\$ 455,851
Grants payable to The Ottawa Hospital	4,485,105	7,007,273	9,365,964
Grants payable to the Ottawa Hospital Research Institute	4,836,322	3,859,042	2,728,700
	9,814,077	11,242,623	12,550,515
FUND BALANCES			
Unrestricted fund	325,314	203,413	1,784,548
Invested in capital assets	335,124	346,653	339,612
Restricted fund	6,420,821	6,613,926	6,876,219
Endowment fund	61,094,056	62,249,258	68,547,950
	68,175,315	69,413,250	77,548,329
	\$ 77,989,392	\$ 80,655,873	\$ 90,098,844

CONTINGENT LIABILITY (Note 10)

APPROVED BY THE BOARD

 Director

 Director

See accompanying notes to financial statements

THE OTTAWA HOSPITAL FOUNDATION/LA FONDATION DE

L'HÔPITAL D'OTTAWA

Statement of Operations

year ended March 31, 2013

	Unrestricted Fund		Restricted Fund		Endowment Fund		Total	
	2013	2012 (Unaudited) (Note 2)	2013	2012 (Unaudited) (Note 2)	2013	2012 (Unaudited) (Note 2)	2013	2012 (Unaudited) (Note 2)
REVENUE								
Donations	\$ 5,788,945	\$ 4,962,385	\$ 12,141,516	\$ 12,823,594	\$ 2,120,765	\$ 1,234,307	\$ 20,051,226	\$ 19,020,286
Lottery (Note 7)	505,477	568,470	-	-	-	-	505,477	568,470
Investment income (loss) (Note 5)	53,284	4,959	396,882	39,930	363,841	(3,907,734)	814,007	(3,862,845)
	6,347,706	5,535,814	12,538,398	12,863,524	2,484,606	(2,673,427)	21,370,710	15,725,911
EXPENDITURES								
Direct fundraising	1,234,380	1,171,791	-	-	-	-	1,234,380	1,171,791
Other fundraising	2,754,189	2,764,567	-	-	-	-	2,754,189	2,764,567
Lottery (Note 7)	112,111	76,841	-	-	-	-	112,111	76,841
Administrative	1,028,669	1,020,016	-	-	-	-	1,028,669	1,020,016
	5,129,349	5,033,215	-	-	-	-	5,129,349	5,033,215
Excess (deficiency) of revenue over expenditures, before grants	1,218,357	502,599	12,538,398	12,863,524	2,484,606	(2,673,427)	16,241,361	10,692,696
GRANTS (Note 8)	31,381	29,234	14,104,732	15,196,340	3,343,183	3,602,201	17,479,296	18,827,775
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ 1,186,976	\$ 473,365	\$ (1,566,334)	\$ (2,332,816)	\$ (858,577)	\$ (6,275,628)	\$ (1,237,935)	\$ (8,135,079)

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, 2013

	Unrestricted Fund	Invested in Capital Assets	Restricted Fund	Endowment Fund	Total 2013	2012 (Unaudited) (Note 2)
BALANCE, BEGINNING OF YEAR	\$ 203,413	\$ 346,653	\$ 6,613,926	\$ 62,249,258	\$ 69,413,250	\$ 77,548,329
Excess (deficiency) of revenue over expenditures	1,186,976	-	(1,566,334)	(858,577)	(1,237,935)	(8,135,079)
Purchase of capital assets	(58,813)	58,813	-	-	-	-
Amortization of capital assets	70,342	(70,342)	-	-	-	-
Interfund transfers (Note 9)	(1,076,604)	-	1,373,229	(296,625)	-	-
BALANCE, END OF YEAR	\$ 325,314	\$ 335,124	\$ 6,420,821	\$ 61,094,056	\$ 68,175,315	\$ 69,413,250

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, 2013

	<u>2013</u>	<u>2012</u> (Unaudited) (Note 2)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Deficiency of revenue over expenditures	\$ (1,237,935)	\$ (8,135,079)
Amortization of capital assets	70,342	70,598
Changes in non-cash operating working capital items:		
Accounts receivable	4,739	237,912
Prepaid expenses	2,069	(20,513)
Accounts payable and accrued liabilities	116,342	(79,543)
Grants payable	(1,544,888)	(1,228,349)
	<u>(2,589,331)</u>	<u>(9,154,974)</u>
INVESTING		
Net change in investments	5,305,620	8,040,450
Purchase of capital assets	(58,813)	(77,639)
	<u>5,246,807</u>	<u>7,962,811</u>
NET CASH INFLOW (OUTFLOW)	2,657,476	(1,192,163)
CASH, BEGINNING OF YEAR	3,948,102	5,140,265
CASH, END OF YEAR	\$ 6,605,578	\$ 3,948,102

See accompanying notes to financial statements

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

Notes to the Financial Statements

year ended March 31, 2013

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. ADOPTION OF A NEW ACCOUNTING FRAMEWORK

For the year ended March 31, 2013, the Foundation adopted Canadian accounting standards for not-for-profit organizations (the "new standards") issued by the Canadian Institute of Chartered Accountants ("CICA") as set out in Part III of the Handbook. The Foundation also applies the standards for private enterprises in Part II of the CICA Handbook to the extent that the Part II standards address topics not addressed in Part III. In accordance with Part III, Section 1501 of the CICA Handbook, *First-time adoption for not-for-profit organizations* (Section 1501), the date of transition to the new standards was April 1, 2011 and the Foundation has presented an opening statement of financial position at the date of transition to the new standards. This opening statement of financial position is the starting point for the Foundation's accounting under Canadian accounting standards for not-for-profit organizations. In its opening statement of financial position, under the recommendations of Section 1501, the Foundation:

- a) recognized all assets and liabilities whose recognition is required by the new standards;
- b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;
- c) reclassified items that it recognized previously as one type of asset, liability or component of net assets, but are recognized as a different type of asset, liability or component of net assets under the new standards; and
- d) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1501, the accounting policies set out in Note 3 to follow have been consistently applied to all years presented.

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

Notes to the Financial Statements

year ended March 31, 2013

2. ADOPTION OF A NEW ACCOUNTING FRAMEWORK (Continued)

The Foundation did not elect to apply any of the exemptions available under Section 1501, as it has determined there is no financial impact on the financial statements. The adoption of these new standards had no impact on the comparative figures. Consequently, a reconciliation of previously reported items to those reported using the new standards has not been prepared.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

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.

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.

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

Notes to the Financial Statements

year ended March 31, 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Ottawa Hospital 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 salaries between functions after initial recognition as disclosed in Note 14.

Financial instruments

The Foundation's financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities and grants payable.

Financial instruments are initially measured at fair value. Subsequently they are measured at amortized costs, except cash and investments which are measured at fair value.

Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment revenue.

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

Notes to the Financial Statements year ended March 31, 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

4. RELATED PARTY TRANSACTIONS

The Ottawa Hospital makes certain payments on behalf of the Foundation. Included in accounts payable is an amount of \$355,487 (March 31, 2012 - \$327,698; April 1, 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 \$91,159 (March 31, 2012 - \$100,970; April 1, 2011 - \$120,063) relating to these activities.

Other related party transactions are disclosed in Note 8.

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

Notes to the Financial Statements year ended March 31, 2013

5. INVESTMENTS

Investments are comprised of the following:

	March 31, 2013	March 31, 2012 (Unaudited) (Note 2)	April 1, 2011 (Unaudited) (Note 2)
Cash, treasury bills and term deposits	\$ 2,301,093	\$ 3,599,073	\$ 868,740
Fixed income securities	26,825,886	26,930,798	29,820,637
Equity investments	41,633,132	45,535,860	53,416,804
Investments	\$ 70,760,111	\$ 76,065,731	\$ 84,106,181

Investment income (loss) is summarized as follows:

	March 31, 2013	March 31, 2012 (Unaudited) (Note 2)
Interest, dividends and other	\$ 1,847,568	\$ 2,124,164
Net realized gains (losses)	753,524	(1,691)
Net change in unrealized losses	(1,787,085)	(5,985,318)
Investment income (loss)	\$ 814,007	\$ (3,862,845)

As at March 31, 2013, the market value of investments includes unrealized gains of \$2,779,569 (March 31, 2012 - \$4,566,654; April 1, 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, 2013 is \$5,627,254 (March 31, 2012 - \$10,400,341; April 1, 2011 - \$15,689,700). Unrealized losses of the donor advised fund for the year are \$4,773,087 (March 31, 2012 - \$5,289,359).

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

Notes to the Financial Statements year ended March 31, 2013

6. CAPITAL ASSETS

	March 31, 2013		March 31, 2012	April 1, 2011
	Cost	Accumulated Amortization	Net Book Value (Unaudited) (Note 2)	Net Book Value (Unaudited) (Note 2)
Furniture and equipment	\$ 726,668	\$ 678,512	\$ 48,156	\$ 83,391
Donor walls	477,562	190,594	286,968	256,221
	\$ 1,204,230	\$ 869,106	\$ 335,124	\$ 339,612

Cost and accumulated amortization as at March 31, 2012 amounted to \$1,145,416 and \$798,763 respectively (April 1, 2011 - \$1,067,777 and \$728,165).

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 \$310,478 (2012 - \$340,711) and \$82,888 (2012 - \$150,918), 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 \$17,479,296 (2012 - \$18,827,775) were approved for distribution as follows:

	March 31, 2013	March 31, 2012 (Unaudited) (Note 2)
The Ottawa Hospital - capital acquisitions and patient care	\$ 8,137,359	\$ 11,782,320
Ottawa Hospital Research Institute - capital acquisitions and health research	9,341,937	7,045,455
	\$ 17,479,296	\$ 18,827,775

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

Notes to the Financial Statements

year ended March 31, 2013

9. INTERFUND TRANSFERS

During the year, the Foundation transferred \$1,076,604 (2012 - \$2,047,459) from the unrestricted fund to the restricted fund to restrict funding received from various sources. In addition, the Foundation transferred \$296,625 (2012 - \$24,064) from the endowment fund to the restricted fund to allocate excess investment income to be used for various projects.

10. CONTINGENT LIABILITY

The Foundation is contingently liable under letters of credit for \$103,000 (March 31, 2012 - \$72,000; April 1, 2011 - \$74,000) related to lottery licenses, which have been issued in the normal course of operations and were unused as at March 31, 2013.

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 December 31, 2012 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 \$215,656 (2012 - \$222,673) 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, 2013

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 fair value of 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, 2013

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 \$7,469,330 (March 31, 2012 - \$9,415,510; April 1, 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, 2013 is \$513,492 (2012 - \$499,599).