

Financial statements of

**The Ottawa Hospital
Foundation/La Fondation
de l'Hôpital d'Ottawa**

March 31, 2014

**The Ottawa Hospital Foundation/
La Fondation de l'Hôpital d'Ottawa**
March 31, 2014

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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, 2014 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.

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, 2014 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.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

May 29, 2014

**The Ottawa Hospital Foundation/
La Fondation de l'Hôpital d'Ottawa**
Statement of financial position
as at March 31, 2014

	2014	2013
	\$	\$
Assets		
Current assets		
Cash	8,823,629	6,605,578
Accounts receivable (Note 3)	332,136	270,135
Prepaid expenses	23,888	18,444
	<u>9,179,653</u>	<u>6,894,157</u>
Investments (Note 4)	74,465,419	70,760,111
Capital assets (Note 5)	298,990	335,124
	<u>83,944,062</u>	<u>77,989,392</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 3)	550,262	492,650
Grants payable to The Ottawa Hospital	4,402,213	4,485,105
Grants payable to the Ottawa Hospital Research Institute	5,816,612	4,836,322
	<u>10,769,087</u>	<u>9,814,077</u>
Fund balances		
Unrestricted fund	250,655	325,314
Invested in capital assets	298,990	335,124
Restricted fund	8,785,435	6,420,821
Endowment fund	63,839,895	61,094,056
	<u>73,174,975</u>	<u>68,175,315</u>
	<u>83,944,062</u>	<u>77,989,392</u>

Contingent liability (Note 9)

Approved by the Board



Director



Director

The Ottawa Hospital Foundation/ La Fondation de l'Hôpital d'Ottawa

Statement of operations
year ended March 31, 2014

	Unrestricted fund		Restricted fund		Endowment fund		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Donations	6,529,464	5,788,945	15,771,208	12,141,516	1,613,276	2,120,765	23,913,948	20,051,226
Lottery (Note 6)	317,624	505,477	-	-	-	-	317,624	505,477
Investment income (Note 4)	73,631	53,284	674,439	396,882	4,646,960	363,841	5,395,030	814,007
	6,920,719	6,347,706	16,445,647	12,538,398	6,260,236	2,484,606	29,626,602	21,370,710
Expenditures								
Direct fundraising	1,240,110	1,234,380	-	-	-	-	1,240,110	1,234,380
Other fundraising	2,852,327	2,754,189	-	-	-	-	2,852,327	2,754,189
Lottery (Note 6)	105,984	112,111	-	-	-	-	105,984	112,111
Administrative	1,074,538	1,028,669	-	-	-	-	1,074,538	1,028,669
	5,272,959	5,129,349	-	-	-	-	5,272,959	5,129,349
Excess (deficiency) of revenue over expenditures, before grants	1,647,760	1,218,357	16,445,647	12,538,398	6,260,236	2,484,606	24,353,643	16,241,361
Grants (Note 7)	34,867	31,381	15,513,296	14,104,732	3,805,820	3,343,183	19,353,983	17,479,296
Excess (deficiency) of revenue over expenditures	1,612,893	1,186,976	932,351	(1,566,334)	2,454,416	(858,577)	4,999,660	(1,237,935)

See accompanying notes to the financial statements.

**The Ottawa Hospital Foundation/
La Fondation de l'Hôpital d'Ottawa**

Statement of changes in fund balances
year ended March 31, 2014

	Unrestricted fund	Invested in capital assets	Restricted fund	Endowment fund	Total 2014	2013
	\$	\$	\$	\$	\$	\$
Balance, beginning of year	325,314	335,124	6,420,821	61,094,056	68,175,315	69,413,250
Excess (deficiency) of revenue over expenditures	1,612,893	-	932,351	2,454,416	4,999,660	(1,237,935)
Purchase of capital assets	(31,042)	31,042	-	-	-	-
Amortization of capital assets	67,176	(67,176)	-	-	-	-
Interfund transfers (Note 8)	(1,723,686)	-	1,432,263	291,423	-	-
Balance, end of year	250,655	298,990	8,785,435	63,839,895	73,174,975	68,175,315

See accompanying notes to the financial statements.

The Ottawa Hospital Foundation/ La Fondation de l'Hôpital d'Ottawa

Statement of cash flows year ended March 31, 2014

	2014	2013
	\$	\$
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess (deficiency) of revenue over expenditures	4,999,660	(1,237,935)
Amortization of capital assets	67,176	70,342
Changes in non-cash operating working capital items:		
Accounts receivable	(62,001)	4,739
Prepaid expenses	(5,444)	2,069
Accounts payable and accrued liabilities	57,612	116,342
Grants payable	897,398	(1,544,888)
	5,954,401	(2,589,331)
Investing		
Net change in investments	(3,705,308)	5,305,620
Purchase of capital assets	(31,042)	(58,813)
	(3,736,350)	5,246,807
Net cash inflow	2,218,051	2,657,476
Cash, beginning of year	6,605,578	3,948,102
Cash, end of year	8,823,629	6,605,578

See accompanying notes to the financial statements.

The Ottawa Hospital Foundation/ La Fondation de l'Hôpital d'Ottawa

Notes to the financial statements

March 31, 2014

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. 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, including the activities related to the restricted fund and the endowment fund. At year-end, the Foundation transfers a portion of its net fundraising revenue to its restricted and endowment funds. Note 8 discloses the Foundation's interfund transfers.

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.

The Ottawa Hospital Foundation/ La Fondation de l'Hôpital d'Ottawa

Notes to the financial statements

March 31, 2014

2. Significant accounting policies (continued)

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 13.

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.

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.

3. Related party transactions

The Ottawa Hospital makes certain payments on behalf of the Foundation. Included in accounts payable is an amount of \$365,183 (2013 - \$355,487) payable to The Ottawa Hospital as reimbursement of these payments.

The Ottawa Hospital collects ticket sales for the Staff Lottery. Included in accounts receivable is an amount of \$165,846 (2013 - \$91,159) relating to these activities.

Other related party transactions are disclosed in Note 7.

4. Investments

Investments are comprised of the following:

	2014	2013
	\$	\$
Cash, treasury bills and term deposits	593,514	2,301,093
Fixed income securities	28,937,386	26,825,886
Equity investments	44,934,519	41,633,132
<u>Investments</u>	<u>74,465,419</u>	<u>70,760,111</u>

The Ottawa Hospital Foundation/ La Fondation de l'Hôpital d'Ottawa

Notes to the financial statements

March 31, 2014

4. Investments (continued)

Fixed income investments are comprised of Government of Canada and corporate bonds with maturity dates from 2015 to 2027 (2013 - 2014 to 2025), earning interest from 0.7% to 2.7% (2013 - 0.7% to 4.5%).

Investment income is summarized as follows:

	2014	2013
	\$	\$
Interest, dividends and other	2,615,974	1,847,568
Net realized gains	2,804,500	753,524
Net change in unrealized gains	(25,444)	(1,787,085)
Investment income	5,395,030	814,007

As at March 31, 2014, the market value of investments includes unrealized gains of \$2,754,125 (2013 - \$2,779,569).

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, 2014 is \$2,321,980 (2013 - \$5,627,254). Unrealized losses of the donor advised fund for the year are \$3,305,274 (2013 - \$4,773,087).

5. Capital assets

			2014	2013
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture and equipment	734,197	697,211	36,986	48,156
Donor walls	501,074	239,070	262,004	286,968
	1,235,271	936,281	298,990	335,124

Cost and accumulated amortization as at March 31, 2013 amounted to \$1,204,230 and \$869,106 respectively.

6. 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 \$143,924 (2013 - \$310,478) and \$69,651 (2013 - \$82,888), 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.

The Ottawa Hospital Foundation/ La Fondation de l'Hôpital d'Ottawa

Notes to the financial statements

March 31, 2014

7. Grants

During this fiscal year, grants of \$19,353,983 (2013 - \$17,479,296) were approved for distribution as follows:

	2014	2013
	\$	\$
University of Ottawa Heart Institute	32,710	-
University of Ottawa, Faculty of Medicine	21,172	-
The Ottawa Hospital - capital acquisitions and patient care	9,561,461	8,137,359
Ottawa Hospital Research Institute - capital acquisitions and health research	9,738,640	9,341,937
	19,353,983	17,479,296

8. Interfund transfers

During the year, the Foundation transferred \$1,432,263 (2013 - \$1,076,604) from the unrestricted fund to the restricted fund to restrict funding received from various sources. In addition, the Foundation transferred \$291,423 (2013 - \$296,625) from the unrestricted fund to the endowment fund received from various sources.

9. Contingent liability

The Foundation is contingently liable under letters of credit for \$195,000 (2013 - \$103,000) related to lottery licenses, which have been issued in the normal course of operations and were unused as at March 31, 2014.

10. 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, 2013 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 \$216,057 (2013 - \$215,656) and are included in the Statement of operations.

11. Capital disclosure

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

The Ottawa Hospital Foundation/ La Fondation de l'Hôpital d'Ottawa

Notes to the financial statements

March 31, 2014

11. Capital disclosure (continued)

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.

12. Financial instruments

Fair value

The fair value of accounts receivable, accounts payable and accrued liabilities, grants payable to The Ottawa Hospital and grants payable 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 4.

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 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 \$10,948,156 (2013 - \$7,469,330). The Foundation does not hedge its foreign currency risk.

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.

13. 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, 2014 is \$526,206 (2013 - \$513,492).