

Financial Statements of

**THE OTTAWA HOSPITAL
FOUNDATION**

Year ended March 31, 2021

THE OTTAWA HOSPITAL FOUNDATION

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KPMG LLP
150 Elgin Street, Suite 1800
Ottawa ON K2P 2P8
Canada
Telephone 613-212-5764
Fax 613-212-2896

INDEPENDENT AUDITORS' REPORT

To the Members of The Ottawa Hospital Foundation

Opinion

We have audited the financial statements of The Ottawa Hospital Foundation (the "Foundation"), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of operations for the year then ended
- the statement of changes fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Foundation as at March 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian Accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundations' financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 16, 2021

THE OTTAWA HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 14,100,004	\$ 8,648,757
Short-term investments (note 2)	34,853,562	19,950,897
Amounts receivable (note 3)	976,624	1,120,768
Prepaid expenses	93,099	55,370
	<u>50,023,289</u>	<u>29,775,792</u>
Investments (note 4)	97,531,063	86,712,414
Capital assets (note 5)	604,707	684,955
	<u>\$ 148,159,059</u>	<u>\$ 117,173,161</u>

Liabilities and Fund Balances

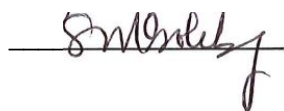
Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 1,774,242	\$ 2,268,205
Grants payable to The Ottawa Hospital	1,979,100	2,667,112
Grants payable to the Ottawa Hospital Research Institute	6,792,589	6,408,844
	<u>10,545,931</u>	<u>11,344,161</u>
Fund balances:		
Unrestricted	4,622,950	3,204,176
Invested in capital assets	604,707	684,955
Restricted	57,711,515	39,517,536
Endowment	74,673,956	62,422,333
	<u>137,613,128</u>	<u>105,829,000</u>
	<u>\$ 148,159,059</u>	<u>\$ 117,173,161</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director : Michael Runia, Chair



Director : Sandra Goldberg, Director

THE OTTAWA HOSPITAL FOUNDATION

Statement of Operations

Year ended March 31, 2021, with comparative information for 2020

	Unrestricted Fund	Restricted Fund	Endowment Fund	2021 Total	2020 Total
Revenue:					
Donations	\$ 17,468,749	\$ 19,499,615	\$ 523,560	\$ 37,491,924	\$ 50,138,051
Lottery (note 6)	947,903	–	–	947,903	893,742
Investment revenue (loss) (note 4)	1,907,689	4,815,470	14,906,000	21,629,159	(7,036,831)
	20,324,341	24,315,085	15,429,560	60,068,986	43,994,962
Expenses:					
Direct fundraising	452,293	–	–	452,293	1,669,101
Other fundraising	5,044,676	–	–	5,044,676	4,916,404
Lottery (note 6)	474,550	–	–	474,550	455,228
Administrative	1,286,230	–	–	1,286,230	1,429,378
	7,257,749	–	–	7,257,749	8,470,111
Excess of revenue over expenses, before grants					
	13,066,592	24,315,085	15,429,560	52,811,237	35,524,851
Grants (note 3)	299,179	18,548,133	2,179,797	21,027,109	21,943,522
Excess of revenue over expenses and grants					
	\$ 12,767,413	\$ 5,766,952	\$ 13,249,763	\$ 31,784,128	\$ 13,581,329

See accompanying notes to financial statements.

THE OTTAWA HOSPITAL FOUNDATION

Statement of Changes in Fund Balances

Year ended March 31, 2021, with comparative information for 2020

	Unrestricted Fund	Invested in Capital Assets	Restricted Fund	Endowment Fund	2021 Total	2020 Total
Balance, beginning of year	\$ 3,204,176	\$ 684,955	\$ 39,517,536	\$ 62,422,333	\$ 105,829,000	\$ 92,247,671
Excess of revenue over expenses and grants	12,767,413	—	5,766,952	13,249,763	31,784,128	13,581,329
Write-down of capital assets	13,094	(13,094)	—	—	—	—
Amortization of capital assets	67,154	(67,154)	—	—	—	—
Interfund transfers (note 7)	(11,428,887)	—	12,427,027	(998,140)	—	—
Balance, end of year	\$ 4,622,950	\$ 604,707	\$ 57,711,515	\$ 74,673,956	\$ 137,613,128	\$ 105,829,000

See accompanying notes to financial statements.

THE OTTAWA HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Cash from operating activities:		
Excess of revenue over expenses and grants	\$ 31,784,128	\$ 13,581,329
Items not involving cash:		
Amortization of capital assets	67,154	88,261
Write-down of capital assets	13,094	—
Unrealized losses (gains) on investments (note 4)	(12,595,767)	13,437,583
Net change in non-cash working capital:		
Amounts receivable	144,144	(87,753)
Prepaid expenses	(37,729)	200,457
Accounts payable and accrued liabilities	(493,963)	961,713
Grants payable	(304,267)	(988,639)
	18,576,794	27,192,951
Cash from investing activities:		
Net disposals (acquisitions) of investments	1,777,118	(8,088,692)
Purchase of capital assets	—	(615,113)
Purchase of short-term investments	(14,902,665)	(19,950,897)
	(13,125,547)	(28,654,702)
Increase (decrease) in cash	5,451,247	(1,461,751)
Cash, beginning of year	8,648,757	10,110,508
Cash, end of year	\$ 14,100,004	\$ 8,648,757

See accompanying notes to financial statements.

THE OTTAWA HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2021

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:

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

(a) 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:

(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. The endowment fund comprises amounts to be maintained permanently as specific by the donors or the Board.

(iii) 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. The unrestricted fund comprises amounts available for immediate use for the general purposes of the Foundation as determined by the Board of Directors.

Note 7 discloses the Foundation's interfund transfers.

THE OTTAWA HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(b) 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.

(c) 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 10.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. Management has elected to carry its investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Institute determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Institute expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

THE OTTAWA HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(d) Financial instruments (continued):

Investment income includes interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses.

(e) 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.

(f) 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. Actual results could differ from these estimates. These estimates are reviewed annually and, as adjustments become necessary, they are reported in the periods in which they become known.

2. Short-term investments

Short-term investments consist of corporate bonds with maturity dates ranging from 2021 to 2024 (2020 – 2020 to 2024), and earning interest from 1.97% to 3.65% (2020 – 1.84% to 3.65%).

3. Related party transactions:

(a) The Ottawa Hospital:

The Ottawa Hospital makes certain payments on behalf of the Foundation. Included in accounts payable and accrued liabilities is an amount of \$592,357 (2020 - \$960,099) payable to The Ottawa Hospital as reimbursement of these payments.

The Ottawa Hospital collects ticket sales for the Staff Lottery. Included in amounts receivable is an amount of \$850,200 (2020 - \$858,000) relating to these activities.

THE OTTAWA HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

3. Related party transactions (continued):

(a) The Ottawa Hospital (continued):

During this fiscal year, grants of \$21,027,109 (2020 - \$21,543,522) were approved for distribution as follows:

	2021	2020
University of Ottawa Heart Institute	\$ 2,425,984	\$ –
University of Ottawa, Faculty of Medicine	77,035	247,991
The Ottawa Hospital - capital acquisitions and patient care	5,418,548	11,176,077
Ottawa Hospital Research Institute – capital acquisitions and health research	13,100,142	10,519,454
Other	5,400	–
	<u>\$ 21,027,109</u>	<u>\$ 21,943,522</u>

(b) Ottawa Hospitals Food Association (formerly Healthcare Food Services Inc.):

The Foundation and Healthcare Food Services Inc. (“HFS”) are related parties by virtue of both entities being related parties of the Ottawa Hospital.

On May 13, 2019, the Board of HFS finalized the sale of substantially all of the assets of HFS to a third party purchaser. As a result of the sale of the assets and through a motion of the Board of HFS, HFS made an initial donation of \$10,000,000 to the Foundations of the member Hospitals based on their respective contributions that created HFS. The Ottawa Hospital's share of the donation was \$5,494,979 representing 54.94% of the donation, which was received by the Foundation in March 2020. A second donation of \$1,373,744 was received in June 2020. The amount is recorded in unrestricted donations on the Statement of Operations.

4. Investments:

The following table presents the fair values of the Foundation's investments:

	2021	2020
Cash, treasury bills and term deposits	\$ 1,950,720	\$ 473,799
Fixed income securities	31,275,182	39,844,218
Equity investments	59,301,463	36,757,899
Alternative investments	5,003,698	9,636,498
Investments	<u>\$ 97,531,063</u>	<u>\$ 86,712,414</u>

THE OTTAWA HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

4. Investments (continued):

As at March 31, 2021, the cost of the Foundation's investments is \$92,247,962 (2020 - \$94,276,726).

Fixed income investments are comprised of Government of Canada and corporate bonds with maturity dates from 2021 to 2029 (2020 - 2020 to 2029), earning interest from 2.1% to 6.2% (2020 - 2.1% to 6.2%).

Investment revenue (loss) is summarized as follows:

	2021	2020
Interest, dividends and other	\$ 5,462,481	\$ 4,128,028
Net realized gains	3,570,911	2,272,724
Net change in unrealized gains and losses	12,595,767	(13,437,583)
Investment revenue (loss)	\$ 21,629,159	\$ (7,036,831)

As at March 31, 2021, the market value of investments includes accumulated unrealized losses of \$2,607,051 (2020 - \$15,202,818).

5. Capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	\$ 1,360,715	\$ 841,032	\$ 519,683	\$ 569,730
Donor walls	625,759	540,735	85,024	115,225
	\$ 1,986,474	\$ 1,381,767	\$ 604,707	\$ 684,955

Cost and accumulated amortization as at March 31, 2020 amounted to \$1,999,568 and \$1,314,613, respectively. During the year the Foundation had a write-down of furniture and equipment totaling \$13,094 (2020 - \$Nil).

6. Lottery proceeds:

The Foundation reports proceeds from The Ottawa Hospital Staff and Community Lotteries. In 2021, the net proceeds from the lotteries were \$473,353 (2020 - \$438,514). The lottery amounts are presented on a gross basis in the Statement of Operations.

THE OTTAWA HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

7. Interfund transfers:

During the year, the following interfund transfers took place:

- (a) The net proceeds of the Foundation's signature community events were transferred from the unrestricted fund to the restricted fund.
- (b) An administration fee of 1.5% of endowed capital administration was transferred from the endowment fund to the unrestricted fund.
- (c) Administration fees on designated gift fees were transferred from the restricted fund to the unrestricted fund.
- (d) Funds in excess of 6 months operating costs were transferred from the unrestricted fund to the restricted fund.

8. 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, the three of 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, 2020 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 \$393,068 (2020 - \$370,893) and are included in the statement of operations.

THE OTTAWA HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

9. Financial instruments:

Risks arising from financial instruments:

The Foundation is exposed to various risks through its financial instruments, primarily through its investment portfolio. The Foundation is exposed to the following risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Foundation is exposed to this risk relating to its cash and investments in fixed income securities. The Foundation manages this risk by regularly monitoring credit exposure and by holding its cash account with a federally regulated chartered bank who is insured by the Canadian Deposit Insurance Corporation. The Foundation also manages this risk by adherence to its Investment Policy which requires investments in fixed income securities to be restricted to those with a minimum bond rating of BBB or equivalent.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market risk is inherent in the Foundation's investment portfolio. The Foundation monitors market risk by adhering to a Board-approved investment policy.

Market risk comprises three types of risk: interest rate risk, currency risk and other price risk:

(i) Interest rate risk:

Interest rate risk refers to the adverse consequences of interest rate changes on the Foundation's cash flows, financial position and investment revenue. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Investment practices are designed to avoid undue risk of loss or impairment to assets and provide a reasonable expectation of fair return given the nature of the investment. The Foundation has investments in bonds with fixed rates which are subject to this risk, as the value of fixed rate instruments will generally rise if interest rates fall and fall if interest rates rise. The Foundation manages this risk by adherence to the guidelines on bond duration and concentration as outlined in its Investment Policy.

THE OTTAWA HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

9. Financial instruments (continued):

(b) Market risk (continued):

(ii) Currency risk:

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. This exposure arises from the Foundation's holdings of foreign cash balances, equities and bonds. From time to time the Foundation has investments in various U.S. securities and cash, which are subject to foreign currency risk. As such its exposure to currency risk is limited to those investments denominated in U.S. currencies of \$Nil (2020 - \$Nil). The Foundation does not hedge its foreign currency risk.

(iii) Other price risk:

Other price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Foundation is exposed to this risk through its equity holdings within its investment portfolio. The Foundation manages other price risk through diversification as set out in its Investment Policy. In addition, assets and markets are monitored regularly.

(c) Liquidity risk:

Liquidity risk is the risk that the Foundation will not be able to meet all cash outflow obligations as they come due. The Foundation mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

10. 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, 2021 is \$607,655 (2020 - \$660,810).

11. Comparative information:

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

THE OTTAWA HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

12. Impact of COVID-19:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (“COVID-19”) outbreak a pandemic which resulted in a series of public health and emergency measures to combat the spread of the virus. This has resulted in significant financial, market and societal impacts in Canada and around the world. As a result of the measures in place, the Foundation shifted its fundraising efforts to focus on virtual campaigns.

As at March 31, 2020 the impact of the pandemic had created significant volatility in the financial markets but as of March 31, 2021 markets had recovered, and the Foundation has reported significant positive returns on its investment portfolio.

The ultimate duration and magnitude of the COVID-19 pandemic’s impact on the Foundation’s operations and financial position is not known at this time, but the Foundation has maintained sufficient resources to meet its commitments in fiscal 2022.