

Financial Statements

**Children's Hospital of Eastern Ontario
Foundation/La Fondation du Centre hospitalier
pour enfants de l'est de l'Ontario**

December 31, 2012

INDEPENDENT AUDITORS' REPORT

To the Directors of
Children's Hospital of Eastern Ontario Foundation
La Fondation du Centre hospitalier pour enfants de l'est de l'Ontario

We have audited the accompanying financial statements of **Children's Hospital of Eastern Ontario Foundation/La Fondation du Centre hospitalier pour enfants de l'est de l'Ontario**, which comprise the balance sheets as at December 31, 2012 and 2011, and January 1, 2011, and the statements of operations and changes in fund balances and cash flows for the years ended December 31, 2012 and 2011, 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.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits 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 **Children's Hospital of Eastern Ontario Foundation/La Fondation du Centre hospitalier pour enfants de l'est de l'Ontario** as at December 31, 2012 and 2011, and January 1, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

As required by the Corporations Act (Ontario), we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Ottawa, Canada,
April 23, 2013.

Chartered Accountants
Licensed Public Accountants

Children's Hospital of Eastern Ontario Foundation
La Fondation du Centre hospitalier pour enfants de l'est de l'Ontario
 Incorporated under the laws of Ontario

BALANCE SHEETS

	As at December 31, 2012 \$	As at December 31, 2011 \$	As at January 1, 2011 \$
ASSETS			
Current			
Cash and cash equivalents	5,777,729	4,849,429	4,466,843
Short-term investments <i>[note 3]</i>	4,076,669	2,902,111	3,358,856
Interest and other receivables	776,610	844,401	659,365
Prepaid expenses	228,921	177,399	242,762
Total current assets	10,859,929	8,773,340	8,727,826
Long-term investments <i>[note 3]</i>	43,533,397	43,189,801	45,121,584
Capital assets, net <i>[note 5]</i>	57,166	28,188	35,213
Other assets	91,144	89,077	75,534
	54,541,636	52,080,406	53,960,157
LIABILITIES AND FUND BALANCES			
Current liabilities			
Accounts payable and accrued charges	1,785,873	1,394,770	1,680,254
Total current liabilities	1,785,873	1,394,770	1,680,254
Commitments <i>[note 11]</i>			
Fund balances <i>[note 6]</i>			
General Fund	8,645,551	8,355,951	9,904,728
Restricted Fund	7,974,842	9,622,358	11,588,434
Endowment Fund	36,135,370	32,707,327	30,786,741
Total fund balances	52,755,763	50,685,636	52,279,903
	54,541,636	52,080,406	53,960,157

See accompanying notes

On behalf of the Board:

Director

Director

Children's Hospital of Eastern Ontario Foundation
La Fondation du Centre hospitalier pour enfants de l'est de l'Ontario

STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCES

For the year ended December 31

	General Fund		Restricted Fund		Endowment Fund		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
Lotteries <i>[note 7]</i>	8,173,364	8,481,097	—	—	—	—	8,173,364	8,481,097
Fundraising <i>[note 7 and 9]</i>	6,281,955	6,038,008	1,231,854	1,036,751	—	—	7,513,809	7,074,759
Investment income <i>[note 3]</i>	2,035,671	(1,071,496)	253,938	189,472	560,893	(650,931)	2,850,502	(1,532,955)
Bequests	1,528,633	767,887	—	—	404,126	332,837	1,932,759	1,100,724
Direct mail	741,317	787,480	—	—	—	—	741,317	787,480
Capital campaign	—	—	1,490,813	2,325,648	—	—	1,490,813	2,325,648
Parking & Miscellaneous revenue <i>[note 8]</i>	2,738,331	107,156	—	—	—	—	2,738,331	107,156
	21,499,271	15,110,132	2,976,605	3,551,871	965,019	(318,094)	25,440,895	18,343,909
EXPENSES								
Direct fundraising expenses	7,737,575	6,707,023	60,712	45,753	—	—	7,798,287	6,752,776
Revenue, net of direct fundraising expenses	13,761,696	8,403,109	2,915,893	3,506,118	965,019	(318,094)	17,642,608	11,591,133
INDIRECT EXPENSES								
Other fundraising expenses <i>[note 10]</i>	1,830,338	1,559,785	343,120	246,929	—	—	2,173,458	1,806,714
Administrative expenses <i>[Note 8 and 9]</i>	920,145	848,259	—	—	—	—	920,145	848,259
Excess (deficiency) of revenue over expenses before grants	11,011,213	5,995,065	2,572,773	3,259,189	965,019	(318,094)	14,549,005	8,936,160
Grants to Children's Hospital of Eastern Ontario								
Capital and programs <i>[note 8 and 9]</i>	1,703,422	153,519	10,744,812	10,347,214	—	—	12,448,234	10,500,733
Contribution of services <i>[note 9]</i>	30,644	29,694	—	—	—	—	30,644	29,694
Excess (deficiency) of revenue over expenses and grants	9,277,147	5,811,852	(8,172,039)	(7,088,025)	965,019	(318,094)	2,070,127	(1,594,267)
Fund balances, beginning of year	8,355,951	9,904,728	9,622,358	11,588,434	32,707,327	30,786,741	50,685,636	52,279,903
Interfund transfers <i>[note 4]</i>	(8,987,547)	(7,360,629)	6,524,523	5,121,949	2,463,024	2,238,680	—	—
Fund balances, end of year	8,645,551	8,355,951	7,974,842	9,622,358	36,135,370	32,707,327	52,755,763	50,685,636

See accompanying notes

Children's Hospital of Eastern Ontario Foundation
La Fondation du Centre hospitalier pour enfants de l'est de l'Ontario

STATEMENTS OF CASH FLOWS

Year ended December 31

	2012	2011
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses before grants	14,549,005	8,936,160
Grants to Children's Hospital of Eastern Ontario	(12,478,878)	(10,530,427)
Items not affecting cash		
Amortization	13,611	8,891
Unrealized loss (gain) in investments	(1,632,551)	3,747,493
Loss (gain) on disposal of investments	129,488	(893,131)
Net change in non-cash working capital balances related to operations [note 14]	405,305	(418,700)
Cash provided by operating activities	985,980	850,286
INVESTING ACTIVITIES		
Purchase of investments, net	(15,091)	(465,834)
Additions to property and equipment	(42,589)	(1,866)
Cash used in investing activities	(57,680)	(467,700)
Net change in cash and cash equivalents during the year	928,300	382,586
Cash and cash equivalents, beginning of year	4,849,429	4,466,843
Cash and cash equivalents, end of year	5,777,729	4,849,429

See accompanying notes

**Children’s Hospital of Eastern Ontario Foundation
La Fondation du Centre hospitalier pour enfants de l’est de l’Ontario**

NOTES TO FINANCIAL STATEMENTS

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1. PURPOSE OF THE ORGANIZATION

The Children’s Hospital of Eastern Ontario Foundation/La Fondation du Centre hospitalier pour enfants de l’est de l’Ontario, [the “Foundation” or “CHEO”] is incorporated under the laws of Ontario as a corporation without share capital. The Foundation is a registered charity under the *Income Tax Act (Canada)* and, while registered, is exempt from income taxes and may issue tax donation receipts.

The Foundation furthers the physical, mental and social well being of children and their families in Eastern Ontario and Western Quebec by raising, managing, and disbursing funds through its support of the Children’s Hospital of Eastern Ontario [the “Hospital”]. The Foundation also promotes awareness of children’s health issues as well as the Hospital’s achievements.

**2. SIGNIFICANT ACCOUNTING POLICIES AND FIRST-TIME
ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR PROFIT
ORGANIZATIONS**

A. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Part III of the Canadian Institute of Chartered Accountants [“CICA”] Handbook – Accounting Standards for Not-for-Profit Organizations which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies set out below.

Fund accounting

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors [the “Board”]. Transfers between the funds are made when it is considered appropriate and authorized by the President. To meet these objectives of financial reporting and stewardship over assets, certain interfund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. These interfund transfers are recorded in the statement of revenue, expenses and changes in fund balances.

**Children's Hospital of Eastern Ontario Foundation
La Fondation du Centre hospitalier pour enfants de l'est de l'Ontario**

NOTES TO FINANCIAL STATEMENTS

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For financial reporting purposes, the accounts have been classified into the following funds:

- [i] The General Fund accounts for the Foundation's general fundraising, granting, and administrative activities. Unless otherwise specified, any investment income earned is included in the General Fund.
- [ii] The Restricted Fund includes those funds where resources are to be used for an identified purpose as specified by the donor, as stipulated by the fundraising appeal or as determined by the Board.
- [iii] The Endowment Fund includes funds where either donor or internal restrictions require that the principal be invested by the Foundation in perpetuity. The investment income generated from assets held for endowment purposes must be used in accordance with the various purposes established by the donors or the Board.

Investments and investment income (loss)

Investments are recorded at fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Investment income (loss) which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded in the statement of operations. Investment income earned on the Endowment Fund or Restricted Fund resources that must be spent on donor-restricted activities is recognized as revenue of the Restricted Fund. Investment income subject to donor restrictions stipulating that it be added to the endowment is recognized as revenue of the Endowment Fund. Unrestricted investment income earned on Endowment Fund, Restricted Fund and General Fund resources is recognized as revenue of the General Fund, except realized and unrealized gains and losses on donor restricted funds, which is recognized in the endowment fund. Investment losses are allocated in a manner consistent with investment income.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with a short maturity of approximately three months or less from the date of purchase unless they are held for investment rather than liquidity purposes, in which case they are classified as investments.

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La Fondation du Centre hospitalier pour enfants de l'est de l'Ontario**

NOTES TO FINANCIAL STATEMENTS

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Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the date of the balance sheet. Non-monetary assets and liabilities are translated at the historic rate. Exchange gains and losses are included in the statement of operations.

Capital assets

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair market value at the date of the contribution. Amortization is provided on the straight-line basis over the estimated useful lives of the assets as follows:

Computer hardware	4 to 5 years
Furniture, fixtures, equipment	5 to 20 years
Vehicle	5 years

Other assets

Other assets include life insurance policies recorded at cash surrender values.

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions, which include grants and donations:

- [i] Grants and bequests are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.
- [ii] Other donations are recorded when received since pledges are not legally enforceable claims.
- [iii] Unrestricted contributions are recognized as revenue in the General Fund when initially recorded in the accounts.
- [iv] Externally restricted contributions, except endowment contributions, are recorded in the Restricted Fund when initially recognized in the accounts. Externally restricted endowment contributions are recognized in the Endowment Fund when initially recognized in the accounts.

**Children's Hospital of Eastern Ontario Foundation
La Fondation du Centre hospitalier pour enfants de l'est de l'Ontario**

NOTES TO FINANCIAL STATEMENTS

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[v] Lottery and events revenue is recognized in the fiscal year in which the program is concluded.

[vi] Contributions of materials are recorded when a fair value can be reasonably estimated and when the materials are used in the normal course of the organization's operations and would otherwise have been purchased. Materials such as medical journals and donated equipment for use by departments within the Hospital are recorded as revenue in the Restricted Fund, with a corresponding expense recorded as a contribution to the Hospital. The Foundation has items valued in excess of \$1,000 appraised by third parties in order to validate the fair value for reporting and tax receipt purposes.

Allocation of expenses

Expenses are recorded on the accrual basis. The costs of each function include the costs of personnel and other expenses that are directly related to the function. General support and other costs are not allocated.

Multi-employer plans

The Foundation participates in a multi-employer defined contribution pension plan. Contributions are recognized on an accrual basis.

**B. FIRST-TIME ADOPTION OF ACCOUNTING STANDARDS FOR
NOT-FOR PROFIT ORGANIZATIONS**

These financial statements are the first financial statements which the Foundation has prepared in accordance with Part III of the CICA Handbook – Accounting, which constitutes generally accepted accounting principles for not-for-profit organizations in Canada ["GAAP"]. In preparing its opening balance sheet as at January 1, 2011 [the "Transition Date"], the Foundation has applied CICA 1501, *First-time Adoption for Not-for-profit Organizations*.

The accounting policies that the Foundation has used in the preparation of its opening balance sheet have resulted in certain adjustments to balances which were presented in the balance sheet prepared in accordance with Part V of the CICA Handbook – Accounting ["previous GAAP"]. These adjustments were recorded directly to the Foundation's fund balances at the Transition Date using the transitional provisions set out in CICA 1501 and are described below.

Exemptions elected upon transition

CICA 1501 provides a number of elective exemptions related to standards in Part III of the CICA Handbook. In preparing its transition date opening balance sheet as at January 1, 2011, the

**Children's Hospital of Eastern Ontario Foundation
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Foundation has applied the CICA 1501 first-time adoption principles retrospectively, and has not utilized any of the exemptions available under such principles.

Reconciliations

The following table provides a reconciliation of fund balances as at January 1, 2011 and the excess of revenue over expenses for the year ended December 31, 2011 as presented under previous GAAP with those computed under GAAP.

	Excess (deficiency) of revenue over expenses for the year ended December 31, 2011 \$	Net assets as at January 1, 2011 \$
Excess of revenue over expenses and net assets, previous GAAP	2,104,611	50,682,434
Recognition of deferred donation revenue	48,615	1,597,469
Unrealized losses on investments	(3,747,493)	—
	(3,698,878)	1,597,469
Deficiency of revenue over expenses and net assets, GAAP	(1,594,267)	52,279,903

[a] Recognition of deferred donation revenue

Under the Foundation's previous accounting policies, donations related to telethon fundraising were deferred until the subsequent year in which the event occurred. As part of its transition to Part III, the Foundation recognizes these donations on a cash basis, as there is no further performance required by the Foundation, and the tax receipt is issued to donors.

[b] Unrealized losses on investments

Under previous GAAP, the changes in unrealized losses on the fair value of investments held at December 31, 2011 of \$3,747,493 were recorded as a direct decrease to fund balances. Under GAAP, this change in unrealized gains (losses) on the fair value is recognized in the statement of operations and changes in the fund balances within investment income.

Children's Hospital of Eastern Ontario Foundation
La Fondation du Centre hospitalier pour enfants de l'est de l'Ontario

NOTES TO FINANCIAL STATEMENTS

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3. INVESTMENTS

[a] Short-term investments are comprised of relatively liquid investments maturing in less than one year.

[b] Investments have an asset mix as follows:

	As at December 31,		As at January 1,
	2012 \$	2011 \$	2011 \$
Cash held by investment managers	3,198,588	1,492,752	921,715
Short-term investments	878,081	1,409,359	2,437,141
	4,076,669	2,902,111	3,358,856
Equities			
Canadian	26,064,689	27,546,887	28,850,883
Foreign	4,209,157	2,151,908	2,524,616
	30,273,846	29,698,795	31,375,499
Fixed income			
Canadian bonds	13,259,551	13,491,006	13,746,085
	43,533,397	43,189,801	45,121,584
	47,610,066	46,091,912	48,480,440

The Foundation has established investment policy guidelines providing direction and restriction as to the mix and quality of its investment portfolio.

[c] Investment income earned on the Foundation's assets consists of the following:

	2012 \$	2011 \$
Interest income	652,862	573,786
Dividends	1,014,124	890,061
Realized and unrealized gains and losses	1,577,382	(2,595,858)
Management fees and transaction costs	(393,866)	(400,944)
	2,850,502	(1,532,955)

Children's Hospital of Eastern Ontario Foundation
La Fondation du Centre hospitalier pour enfants de l'est de l'Ontario

NOTES TO FINANCIAL STATEMENTS

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4. INVESTMENT INCOME ALLOCATION AND INTERFUND TRANSFERS

[a] Interfund transfers consists of the following:

	General Fund		Restricted Fund		Endowment Fund	
	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$
Board and donor approved re: fund restrictions <i>[note 4[b]]</i>	(8,987,547)	(7,360,629)	6,524,523	5,121,949	2,463,024	2,238,680

[b] In 2012, the Board and President and CEO approved transfers totalling \$6,524,523 [2011 – \$5,121,949] from the General Fund to the Restricted Fund and \$2,463,024 [2011 – \$2,238,680] from the General Fund to the Endowment Fund.

The transfers relate to internally imposed restrictions approved by the Board, President and CEO and changes in the designation of funds as directed by donors

5. CAPITAL ASSETS

Capital assets are comprised of the following:

	As at December 31, 2012		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture, fixtures and equipment	74,824	44,027	30,797
Computer hardware	160,357	148,077	12,280
Vehicle	26,439	12,350	14,089
	261,620	204,454	57,166

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	As at December 31, 2011		
	Cost	Accumulated	Net book
	\$	amortization	Value
	\$	\$	\$
Furniture, fixtures and equipment	44,878	37,285	7,593
Computer hardware	147,714	146,122	1,592
Vehicle	26,439	7,436	19,003
	219,031	190,843	28,188

	As at January 1, 2011		
	Cost	Accumulated	Net book
	\$	amortization	Value
	\$	\$	\$
Furniture, fixtures and equipment	44,878	33,937	10,941
Computer hardware	147,714	145,558	2,156
Vehicle	24,573	2,457	22,116
	217,165	181,952	35,213

6. FUND BALANCES

The fund balances as at December 31, 2012 are as follows:

Fund balances	General	Restricted	Endowment	Total
	Fund	Fund	Fund	\$
	\$	\$	\$	\$
Donor restricted	—	7,974,842	11,318,282	19,293,124
Internally restricted	—	—	24,817,088	24,817,088
Unrestricted	8,645,551	—	—	8,645,547
Total fund balances	8,645,551	7,974,842	36,135,370	52,755,763

Included in the general fund balance is \$57,166 related to funds invested in capital assets. In addition, included in the endowment fund under donor restricted is \$1,803,771 of funds on which investment income is unrestricted.

Children's Hospital of Eastern Ontario Foundation
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NOTES TO FINANCIAL STATEMENTS

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The fund balances as at December 31, 2011 are as follows:

Fund balances	General Fund \$	Restricted Fund \$	Endowment Fund \$	Total \$
Donor restricted	—	9,622,358	9,883,135	19,505,493
Internally restricted	—	—	22,824,192	22,824,192
Unrestricted	8,355,951	—	—	8,355,951
Total fund balances	8,355,951	9,622,358	32,707,327	50,685,636

Included in the general fund balance is \$28,188 related to funds invested in capital assets. In addition, included in the endowment fund under donor restricted is \$1,817,100 of funds on which investment income is unrestricted.

The fund balances as at January 1, 2011 are as follows:

Fund balances	General Fund \$	Restricted Fund \$	Endowment Fund \$	Total \$
Donor restricted	—	11,588,434	9,973,486	21,561,920
Internally restricted	—	—	20,813,255	20,813,255
Unrestricted	9,904,728	—	—	9,904,728
Total fund balances	9,904,728	11,588,434	30,786,741	52,279,903

Included in the general fund balance is \$35,213 related to funds invested in capital assets. In addition, included in the endowment fund under donor restricted is \$1,963,131 of funds on which investment income is unrestricted.

**Children's Hospital of Eastern Ontario Foundation
La Fondation du Centre hospitalier pour enfants de l'est de l'Ontario**

NOTES TO FINANCIAL STATEMENTS

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7. STATEMENT OF OPERATIONS

Fundraising and lotteries revenue includes the proceeds of a variety of events, including the following examples:

Fundraising

- Telethon
- CN Cycle for CHEO
- Trees of Hope
- CHEO B.B.Q.
- TD Bank Group Softball Tournament
- Hike for CHEO
- Costco Head Office Golf Tournament
- Moore Wrinn Golf Tournament
- Astral CHEO Kids Radiothon
- Y101 Radiothon
- Ski for Kids
- Walmart Walk for Miracles
- Farm Boy
- Ryan Williams Golf Tournament

Lotteries

- Dream of a Lifetime Lottery
- Ottawa Hospital/CHEO Lottery
- Nevada Ticket Sales

8. PARKING AGREEMENT

On December 21, 2011, the Foundation entered into an agreement to lease the parking facility owned by the Hospital. The term of the lease is three years, beginning April 1, 2012 and ending on March 31, 2015 with lease payments of \$71,500 per month. The parties will have the ability to renew for additional three-year periods upon mutual agreement in writing.

The Foundation has a management agreement with the Hospital in connection with the parking facility whereby the Foundation was appointed manager of the facility.

During the year, the Foundation earned revenues of \$2,664,428 [2011 – nil] from the parking operations, and incurred \$643,500 [2011 – nil] in lease expense to the Hospital and \$300,117 [2011 – nil] in management fees during the year. It was agreed by the parties that the net revenue over expenses related to parking operations would be used to support the Hospital, as is the nature of the Foundation, and as a result \$1,563,333 [2011 – nil] was distributed to the Hospital for Capital and programs. The residual amount retained by the Foundation of \$157,478 [2011 – nil], represents a percentage fee negotiated by the parties.

Children’s Hospital of Eastern Ontario Foundation
La Fondation du Centre hospitalier pour enfants de l’est de l’Ontario

NOTES TO FINANCIAL STATEMENTS

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9. DISTRIBUTIONS TO CHILDREN’S HOSPITAL OF EASTERN ONTARIO

The capital and programs and contribution of services distributions are comprised of grants for the following purposes:

	2012	2011
	\$	\$
Research and equipment	3,751,500	5,003,477
Research grants and programs	3,936,759	2,819,369
Programs and services	1,527,978	1,402,531
Capital equipment	1,303,761	1,086,322
Fellowships	60,000	60,000
Gifts in kind	87,017	108,728
Research building	50,000	50,000
Other capital	1,761,863	—
	12,478,878	10,530,427

In lieu of occupancy cost, the Foundation provides a grant to the Hospital toward the operating costs of the Research Institute Facility. Donated items totalling \$52,338 [2011 – \$90,209] were recorded in fundraising revenue in the Restricted Fund.

10. PENSION PLAN

Substantially all of the full-time employees of the Foundation are members of the Hospitals of Ontario Pension Plan [the “HOOPP”] which is a multi-employer final average pay contributory pension plan. Contributions to the HOOPP during the year by the Foundation on behalf of these employees amounted to \$210,835 [2011 – \$179,018] and are included in other fundraising expenses and administration expenses in the statement of operations. The most recent valuation for financial reporting purposes completed by HOOPP as at December 31, 2012 disclosed total assets available for benefits of \$47.4 billion with pension obligations of \$45.6 billion, resulting in a surplus of \$1.8 billion. At the end of 2012, HOOPP was 104 per cent funded, this fully funded status means the Plan has sufficient assets to pay every promised members pension benefit, with no shortfall.

During the year, the employer contribution rate to the plan was 1.26% [2011 – 1.26%] of the employee amount.

Children's Hospital of Eastern Ontario Foundation
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NOTES TO FINANCIAL STATEMENTS

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11. COMMITMENTS

[a] As at December 31, 2012, commitments amounting to \$12,558,335 [2011 – \$11,922,095] have been approved by the Board of Directors to fund expenditures on behalf of the Children's Hospital of Eastern Ontario for fiscal 2013, as follows:

	\$
Research and equipment	3,365,950
Capital equipment	720,000
Research grants and programs	3,880,000
Programs and services	2,457,000
Research building	50,000
Other capital	2,085,385
	<u>12,558,335</u>

Of the committed amount, the Board of Directors has approved an amount of up to \$150,000 per year to 2021 related to Phase 2 of the Research Institute Facility.

[b] The Foundation has letters of credit outstanding, required in connection with its lotteries, amounting to approximately \$5,443,233, of which an amount of \$2,655,878 expires on February 23, 2013, and an amount of \$2,787,355 expires on August 5, 2013.

12. FINANCIAL INSTRUMENTS

The Foundation is exposed to various financial risks through transactions in financial instruments.

Foreign currency risk

The Foundation is exposed to foreign currency risk with respect to its investments denominated in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because of fluctuations in the relative value of foreign currencies against the Canadian dollar.

Credit risk

The Foundation is exposed to credit risk in connection with its accounts receivable and its short-term and fixed income investments because of the risk that one party to the financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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Interest rate risk

The Foundation is exposed to interest rate risk with respect to its fixed income investments and a pooled fund which holds fixed income securities, the values of which will fluctuate with changes in market interest rates.

Liquidity risk

The Foundation is exposed to the risk that it will encounter difficulty in meeting obligations in connection with its accounts payable and accrued liabilities.

Other price risk

The Foundation is exposed to other price risk through changes in market prices (other than changes arising from interest rate or currency risks) in connection with its investments in equity securities and pooled funds.

13. CONTINGENCIES

As at year end, there are certain claims outstanding. Where the potential liability is likely and able to be estimated, management has recorded its best estimate of the potential liability. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the year during which the liability is able to be estimated or adjustments to any amount recorded are determined to be required.

14. NET CHANGE IN NON-CASH BALANCES RELATED TO OPERATIONS

The net change in non-cash balances related to operations consists of the following:

	2012	2011
	\$	\$
Interest and other receivables	67,791	(185,036)
Prepaid expenses	(51,522)	65,363
Other assets	(2,067)	(13,543)
Accounts payable and accrued charges	391,103	(285,484)
	405,305	(418,700)