

Financial Statements

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

December 31, 2013



Building a better  
working world

## 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 statement of financial position as at December 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.

### **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, 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.

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.

*Ernst & Young LLP*

Ottawa, Canada  
April 22, 2014

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

**STATEMENT OF FINANCIAL POSITION**

As at December 31

	2013	2012
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	5,672,790	5,777,729
Short-term investments <i>[note 3]</i>	2,807,481	4,076,669
Interest and other receivables	1,101,001	776,610
Prepaid expenses	207,087	228,921
<b>Total current assets</b>	<b>9,788,359</b>	<b>10,859,929</b>
Long-term investments <i>[note 3]</i>	51,648,107	43,533,397
Capital assets, net <i>[note 5]</i>	81,811	57,166
Other assets	96,851	91,144
	<b>61,615,128</b>	<b>54,541,636</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued charges	2,093,544	1,785,873
<b>Total current liabilities</b>	<b>2,093,544</b>	<b>1,785,873</b>
Commitments <i>[note 11]</i>		
<b>Fund balances <i>[note 6]</i></b>		
General Fund	16,688,829	8,645,551
Restricted Fund	5,251,565	7,974,842
Endowment Fund	37,581,190	36,135,370
<b>Total fund balances</b>	<b>59,521,584</b>	<b>52,755,763</b>
	<b>61,615,128</b>	<b>54,541,636</b>

*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**

**STATEMENT OF OPERATIONS  
AND CHANGES IN FUND BALANCES**

For the years ended December 31

	General Fund		Restricted Fund		Endowment Fund		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>								
Lotteries <i>[note 7]</i>	8,969,186	8,173,364	—	—	—	—	8,969,186	8,173,364
Fundraising <i>[notes 7 and 9]</i>	6,062,249	6,281,955	878,981	1,231,854	—	—	6,941,230	7,513,809
Investment income <i>[note 3]</i>	5,709,376	2,035,671	606,080	253,938	569,414	560,893	6,884,870	2,850,502
Bequests	2,270,679	1,528,633	—	—	703,638	404,126	2,974,317	1,932,759
Direct mail	727,293	741,317	—	—	—	—	727,293	741,317
Capital campaign and major gifts	237,054	—	1,643,994	1,490,813	7,146	—	1,888,194	1,490,813
Parking and miscellaneous revenue <i>[note 8]</i>	3,846,620	2,738,331	—	—	—	—	3,846,620	2,738,331
	<b>27,822,457</b>	<b>21,499,271</b>	<b>3,129,055</b>	<b>2,976,605</b>	<b>1,280,198</b>	<b>965,019</b>	<b>32,231,710</b>	<b>25,440,895</b>
<b>EXPENSES</b>								
Direct fundraising expenses	8,616,144	7,737,575	30,683	60,712	—	—	8,646,827	7,798,287
<b>Revenue, net of direct fundraising expenses</b>	<b>19,206,313</b>	<b>13,761,696</b>	<b>3,098,372</b>	<b>2,915,893</b>	<b>1,280,198</b>	<b>965,019</b>	<b>23,584,883</b>	<b>17,642,608</b>
<b>INDIRECT EXPENSES</b> <i>[note 10]</i>								
Other fundraising expenses	1,709,760	1,830,338	397,911	343,120	—	—	2,107,671	2,173,458
Administrative expenses <i>[notes 8 and 9]</i>	997,694	920,145	—	—	—	—	997,694	920,145
<b>Excess of revenue over expenses before grants</b>	<b>16,498,859</b>	<b>11,011,213</b>	<b>2,700,461</b>	<b>2,572,773</b>	<b>1,280,198</b>	<b>965,019</b>	<b>20,479,518</b>	<b>14,549,005</b>
Grants to Children's Hospital of Eastern Ontario								
Capital and programs <i>[notes 8 and 9]</i>	2,408,252	1,703,422	11,273,895	10,744,812	—	—	13,682,147	12,448,234
Contribution of services <i>[note 9]</i>	31,550	30,644	—	—	—	—	31,550	30,644
<b>Excess (deficiency) of revenue over expenses and grants for the year</b>	<b>14,059,057</b>	<b>9,277,147</b>	<b>(8,573,434)</b>	<b>(8,172,039)</b>	<b>1,280,198</b>	<b>965,019</b>	<b>6,765,821</b>	<b>2,070,127</b>
Fund balances, beginning 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
Interfund transfers <i>[note 4]</i>	(6,015,779)	(8,987,547)	5,850,157	6,524,523	165,622	2,463,024	—	—
<b>Fund balances, end of year</b>	<b>16,688,829</b>	<b>8,645,551</b>	<b>5,251,565</b>	<b>7,974,842</b>	<b>37,581,190</b>	<b>36,135,370</b>	<b>59,521,584</b>	<b>52,755,763</b>

See accompanying notes



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

**STATEMENT OF CASH FLOWS**

Year ended December 31

	2013	2012
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses before grants	<b>20,479,518</b>	14,549,005
Grants to Children's Hospital of Eastern Ontario	<b>(13,713,697)</b>	(12,478,878)
Items not affecting cash		
Amortization	<b>17,666</b>	13,611
Unrealized gain in investments	<b>(5,143,427)</b>	(1,632,551)
Loss (gain) on disposal of investments	<b>(351,808)</b>	129,488
	<b>1,288,252</b>	580,675
Net change in non-cash balances related to operations <i>[note 14]</i>	<b>(593)</b>	405,305
<b>Cash provided by operating activities</b>	<b>1,287,659</b>	985,980
<b>INVESTING ACTIVITIES</b>		
Purchase of investments, net	<b>(1,350,286)</b>	(15,091)
Additions to capital assets	<b>(42,312)</b>	(42,589)
<b>Cash used in investing activities</b>	<b>(1,392,598)</b>	(57,680)
<b>Net change in cash and cash equivalents during the year</b>	<b>(104,939)</b>	928,300
Cash and cash equivalents, beginning of year	<b>5,777,729</b>	4,849,429
<b>Cash and cash equivalents, end of year</b>	<b>5,672,790</b>	5,777,729

*See accompanying notes*



**Children’s Hospital of Eastern Ontario Foundation  
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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013

**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**

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 statements of operations and changes in fund balances.

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.

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**NOTES TO FINANCIAL STATEMENTS**

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[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 statements of operations and changes in fund balances. 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.

**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 sheets. Non-monetary assets and liabilities are translated at the historic rate. Exchange gains and losses are included in the statements of operations and changes in fund balances.

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**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.
- [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.

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

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**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.

**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:

	<b>2013</b>	<b>2012</b>
	\$	\$
Cash held by investment managers	<b>1,735,596</b>	3,198,588
Short-term investments	<b>1,071,885</b>	878,081
	<b>2,807,481</b>	4,076,669
<b>Equities</b>		
Canadian	<b>25,484,254</b>	26,064,689
Foreign	<b>10,977,013</b>	4,209,157
	<b>36,461,267</b>	30,273,846
<b>Fixed income</b>		
Canadian bonds	<b>15,186,840</b>	13,259,551
	<b>51,648,107</b>	43,533,397
	<b>54,455,588</b>	47,610,066

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

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

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013

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

	2013	2012
	\$	\$
Interest income	587,904	652,862
Dividends	1,200,436	1,014,124
Realized and unrealized gains and losses	5,495,235	1,577,382
Management fees and transaction costs	(398,705)	(393,866)
	<b>6,884,870</b>	<b>2,850,502</b>

**4. INTERFUND TRANSFERS**

[a] Interfund transfers consists of the following:

	General Fund		Restricted Fund		Endowment Fund	
	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$
Board and donor approved fund restrictions <i>[note 4[b]]</i>	<b>(6,015,779)</b>	(8,987,547)	<b>5,850,157</b>	6,524,523	<b>165,622</b>	2,463,024

[b] In 2013, the Board and President and CEO approved transfers totalling \$5,850,157 [2012 – \$6,524,523] from the General Fund to the Restricted Fund and \$165,622 [2012 – \$2,463,024] 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.

**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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**5. CAPITAL ASSETS**

Capital assets are comprised of the following:

	<b>Cost</b>	<b>2013 Accumulated amortization</b>	<b>Net book value</b>
	\$	\$	\$
Furniture, fixtures and equipment	<b>117,136</b>	<b>54,886</b>	<b>62,250</b>
Computer hardware	<b>160,357</b>	<b>149,969</b>	<b>10,388</b>
Vehicle	<b>26,439</b>	<b>17,266</b>	<b>9,173</b>
	<b>303,932</b>	<b>222,121</b>	<b>81,811</b>

  

	<b>Cost</b>	<b>2012 Accumulated amortization</b>	<b>Net book value</b>
	\$	\$	\$
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

**6. FUND BALANCES**

The fund balances as at December 31, 2013 are as follows:

	<b>General Fund</b>	<b>Restricted Fund</b>	<b>Endowment Fund</b>	<b>Total</b>
	\$	\$	\$	\$
Donor restricted	—	<b>5,251,565</b>	<b>11,761,740</b>	<b>17,013,305</b>
Internally restricted	—	—	<b>25,819,450</b>	<b>25,819,450</b>
Unrestricted	<b>16,688,829</b>	—	—	<b>16,688,829</b>
<b>Total fund balances</b>	<b>16,688,829</b>	<b>5,251,565</b>	<b>37,581,190</b>	<b>59,521,584</b>

Included in the General Fund balance is \$81,812 related to funds invested in capital assets. In addition, included in the Endowment Fund under donor restricted is \$1,874,109 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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Donated items totalling \$66,441 [2012 – \$52,338] were recorded in fundraising revenue in the Restricted Fund.

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

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

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.

**7. STATEMENTS OF OPERATIONS AND CHANGES IN FUND  
BALANCES**

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

<b>Fundraising</b>	<b>Lotteries</b>
<ul style="list-style-type: none"> <li>• Telethon</li> <li>• CN Cycle for CHEO</li> <li>• Trees of Hope</li> <li>• CHEO B.B.Q.</li> <li>• TD Bank Group Softball Tournament</li> <li>• Hike for CHEO</li> <li>• Costco Head Office Golf Tournament</li> <li>• Moore Wrinn Golf Tournament</li> <li>• Astral CHEO Kids Radiothon</li> <li>• Y101 Radiothon</li> <li>• Ski for Kids</li> <li>• Walmart Walk for Miracles</li> </ul>	<ul style="list-style-type: none"> <li>• Dream of a Lifetime Lottery</li> <li>• Ottawa Hospital/CHEO Lottery</li> <li>• Nevada Ticket Sales</li> </ul>

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**NOTES TO FINANCIAL STATEMENTS**

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**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 on 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 revenue of \$3,765,291 [2012 – \$2,664,428] from the parking operations, and incurred \$904,687 [2012 – \$643,500] in lease expense to the Hospital and \$437,283 [2012 – \$300,117] 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 mandate of the Foundation, and as a result \$2,230,126 [2012 – \$1,563,333] was distributed to the Hospital for Capital and programs. The residual amount retained by the Foundation of \$193,195 [2012 – \$157,478], represents a percentage negotiated by the parties.

**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:

	<b>2013</b>	<b>2012</b>
	\$	\$
Research and equipment	<b>3,704,608</b>	3,751,500
Research grants and programs	<b>4,099,485</b>	3,936,759
Programs and services	<b>1,930,493</b>	1,527,978
Capital equipment	<b>1,538,418</b>	1,303,761
Fellowships	<b>57,500</b>	60,000
Gifts in kind	<b>103,067</b>	87,017
Research building	<b>50,000</b>	50,000
Other capital	<b>2,230,126</b>	1,761,863
	<b>13,713,697</b>	12,478,878

In lieu of occupancy cost, the Foundation provides a grant to the Hospital toward the operating costs of the Research Institute Facility.

**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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**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 \$200,357 [2012 – \$210,835] 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 the HOOPP as at December 31, 2013 disclosed total assets available for benefits of \$47.2 billion with pension obligations of \$41.5 billion, resulting in a surplus of \$5.7 billion. At the end of 2013, the HOOPP was 114% 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% [2012 – 1.26%] of the employee amount.

**11. COMMITMENTS**

[a] As at December 31, 2013, commitments amounting to \$13,230,000 [2012 – \$12,558,335] have been approved by the Board of Directors to fund expenditures on behalf of the Children's Hospital of Eastern Ontario for fiscal 2014, as follows:

	\$
Research and equipment	1,600,000
Capital equipment	2,707,000
Research grants and programs	3,893,000
Programs and services	2,510,000
Research building	50,000
Other capital	2,470,000
	<u>13,230,000</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.

The committed amount classified as Other Capital relates to the funds expected to be generated from the parking agreement [note 8].

[b] The Foundation has letters of credit outstanding, required in connection with its lotteries, amounting to approximately \$2,955,412, which expired February 24, 2014 and were subsequently renewed.

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

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**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.

**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.

**Market risk**

Market risk arises as a result of trading in equity securities and fixed income securities. Fluctuations in the market expose the Foundation to a risk of loss. The Foundation has diversified its investment portfolio in an effort to minimize its market risk.

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

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**Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Management believes that no material other price risk factors exist.

**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:

	<b>2013</b>	<b>2012</b>
	\$	\$
Interest and other receivables	<b>(324,391)</b>	67,791
Prepaid expenses	<b>21,834</b>	(51,522)
Other assets	<b>(5,707)</b>	(2,067)
Accounts payable and accrued charges	<b>307,671</b>	391,103
	<b>(593)</b>	405,305

