

Financial statements

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

December 31, 2016



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, 2016, and the statements of operations and 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 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, 2016 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 25, 2017

Chartered Professional 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

	2016	2015
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	9,905,236	8,960,942
Short-term investments <i>[note 3]</i>	1,239,040	1,996,275
Interest and other receivables	630,717	814,452
Prepaid expenses	153,411	134,047
<b>Total current assets</b>	<b>11,928,404</b>	<b>11,905,716</b>
Long-term investments <i>[note 3]</i>	61,218,030	57,215,109
Capital assets, net <i>[note 5]</i>	58,425	56,310
Other assets	122,450	122,450
	<b>73,327,309</b>	<b>69,299,585</b>
<b>Liabilities and fund balances</b>		
<b>Current liabilities</b>		
Accounts payable and accrued charges	6,650,574	5,183,051
<b>Total current liabilities</b>	<b>6,650,574</b>	<b>5,183,051</b>
Commitments <i>[note 11]</i>		
<b>Fund balances <i>[note 6]</i></b>		
General Fund	11,072,357	13,119,793
Restricted Fund	12,857,118	9,278,954
Endowment Fund	42,747,260	41,717,787
<b>Total fund balances</b>	<b>66,676,735</b>	<b>64,116,534</b>
	<b>73,327,309</b>	<b>69,299,585</b>
Subsequent event <i>[note 8]</i>		

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	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>								
Lotteries <i>[note 7]</i>	7,488,802	7,343,453	—	—	—	—	7,488,802	7,343,453
Fundraising <i>[note 7]</i>	6,277,248	6,229,975	4,049,721	2,524,934	—	—	10,326,969	8,754,909
Investment income <i>[note 3]</i>	2,140,951	1,580,687	340,217	215,349	442,084	220,730	2,923,252	2,016,766
Bequests	1,641,819	921,137	200,000	—	333,621	2,498,640	2,175,440	3,419,777
Direct mail	382,872	884,808	293,193	—	—	—	676,065	884,808
Major gifts	221,753	563,919	1,290,899	1,551,112	—	155,677	1,512,652	2,270,708
Parking and miscellaneous revenue <i>[note 8]</i>	4,135,545	4,134,368	—	—	—	—	4,135,545	4,134,368
	<b>22,288,990</b>	<b>21,658,347</b>	<b>6,174,030</b>	<b>4,291,395</b>	<b>775,705</b>	<b>2,875,047</b>	<b>29,238,725</b>	<b>28,824,789</b>
<b>Expenses</b>								
Direct expenses <i>[note 8]</i>	7,391,364	6,987,060	—	—	—	—	7,391,364	6,987,060
<b>Revenue, net of direct expenses</b>	<b>14,897,626</b>	<b>14,671,287</b>	<b>6,174,030</b>	<b>4,291,395</b>	<b>775,705</b>	<b>2,875,047</b>	<b>21,847,361</b>	<b>21,837,729</b>
Indirect expenses <i>[note 10]</i>								
Other fundraising expenses	2,617,250	2,384,003	—	—	—	—	2,617,250	2,384,003
Administrative expenses	863,745	1,056,102	—	—	—	—	863,745	1,056,102
<b>Excess of revenue over expenses before grants</b>	<b>11,416,631</b>	<b>11,231,182</b>	<b>6,174,030</b>	<b>4,291,395</b>	<b>775,705</b>	<b>2,875,047</b>	<b>18,366,366</b>	<b>18,397,624</b>
Grants to Children's Hospital of Eastern Ontario, Children's Hospital of Eastern Ontario Research Institute and Roger Neilson House								
Capital and programs <i>[notes 8 and 9]</i>	2,681,048	2,723,939	12,989,395	14,004,478	—	—	15,670,443	16,728,417
Contribution of services <i>[note 9]</i>	135,722	103,186	—	—	—	—	135,722	103,186
	<b>2,816,770</b>	<b>2,827,125</b>	<b>12,989,395</b>	<b>14,004,478</b>	<b>—</b>	<b>—</b>	<b>15,806,165</b>	<b>16,831,603</b>
<b>Excess (deficiency) of revenue over expenses and grants for the year</b>	<b>8,599,861</b>	<b>8,404,057</b>	<b>(6,815,365)</b>	<b>(9,713,083)</b>	<b>775,705</b>	<b>2,875,047</b>	<b>2,560,201</b>	<b>1,566,021</b>
Fund balances, beginning of year	13,119,793	16,131,257	9,278,954	7,674,020	41,717,787	38,745,236	64,116,534	62,550,513
Interfund transfers <i>[note 4]</i>	(10,647,297)	(11,415,521)	10,393,529	11,318,017	253,768	97,504	—	—
<b>Fund balances, end of year</b>	<b>11,072,357</b>	<b>13,119,793</b>	<b>12,857,118</b>	<b>9,278,954</b>	<b>42,747,260</b>	<b>41,717,787</b>	<b>66,676,735</b>	<b>64,116,534</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

	<b>New 2016</b>	<b>New 2015</b>
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses before grants	<b>18,366,366</b>	18,397,624
Grants to Children's Hospital of Eastern Ontario	<b>(15,806,165)</b>	(16,831,603)
Items not affecting cash		
Amortization	<b>12,898</b>	20,902
Contribution of services	<b>135,722</b>	103,186
Investment Income	<b>(3,239,034)</b>	(2,660,044)
Donated Shares	<b>(65,480)</b>	—
Other non-cash items	<b>(75,033)</b>	18,674
	<b>(670,726)</b>	(951,261)
Net change in non-cash balances related to operations <i>[note 13]</i>	<b>1,631,894</b>	1,889,222
<b>Cash provided by operating activities</b>	<b>961,168</b>	937,961
<b>Investing activities</b>		
Proceeds from sale of investments, net	—	2,117,224
Additions to capital assets	<b>(16,874)</b>	(5,092)
<b>Cash provided by (used in) investing activities</b>	<b>(16,874)</b>	2,112,132
<b>Net change in cash and cash equivalents during the year</b>	<b>944,294</b>	3,050,093
Cash and cash equivalents, beginning of year	<b>8,960,942</b>	5,910,849
<b>Cash and cash equivalents, end of year</b>	<b>9,905,236</b>	8,960,942

*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**

December 31, 2016

**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 and Nunavut 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 *CPA Canada Handbook – Accounting*, “Accounting Standards for Not-for-Profit Corporations”, 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 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.
- [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.

**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, 2016

**Investments and investment income**

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

Investment income, which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded in the statement of operations and changes in fund balances. Investment income earned on the Endowment Fund or Restricted Fund is recognized as revenue in the Endowment Fund or 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 General Fund resources is recognized as revenue of the General 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 statement of financial position. Non-monetary assets and liabilities are translated at the historic rate. Exchange gains and losses are included in the statement of operations and changes in fund balances.

**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.

**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, 2016

- [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.

**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.

**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, 2016

**3. Investments**

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

[b] Investments have an asset mix as follows:

	<b>2016</b>	<b>2015</b>
	\$	\$
<b>Short-term investments</b>		
Cash held by investment managers	<b>1,239,040</b>	1,204,277
Short-term investments	—	791,998
	<b>1,239,040</b>	1,996,275
<b>Long-term investments</b>		
<b>Equities</b>		
Canadian	<b>11,666,204</b>	28,430,798
Foreign	<b>28,144,140</b>	10,670,662
	<b>39,810,344</b>	39,101,460
<b>Fixed income</b>		
Canadian bonds	<b>18,788,009</b>	18,113,649
Foreign bonds	<b>2,619,677</b>	—
	<b>61,218,030</b>	57,215,109
	<b>62,457,070</b>	59,211,384

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:

	<b>2016</b>	<b>2015</b>
	\$	\$
Interest income	<b>615,099</b>	485,646
Dividends	<b>1,008,159</b>	1,268,715
Realized and unrealized gains and losses	<b>1,615,776</b>	905,683
Management fees and transaction costs	<b>(315,782)</b>	(643,278)
	<b>2,923,252</b>	2,016,766

**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, 2016

**4. Interfund transfers**

[a] Interfund transfers consists of the following:

	General Fund		Restricted Fund		Endowment Fund	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Board and donor approved fund restrictions	<b>(10,647,297)</b>	(11,415,521)	<b>10,393,529</b>	11,318,017	<b>253,768</b>	97,504

[b] In 2016, the Board and President and CEO approved transfers totaling \$10,393,529 [2015 – \$11,318,017] from the General Fund to the Restricted Fund and \$253,768 [2015 – \$97,504] 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 comprise the following:

	2016		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture, fixtures and equipment	119,383	74,212	45,171
Computer hardware	190,562	177,308	13,254
Vehicle	26,439	26,439	—
	<b>336,384</b>	<b>277,959</b>	<b>58,425</b>

  

	2015		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture, fixtures and equipment	119,383	66,697	52,686
Computer hardware	173,689	171,932	1,757
Vehicle	26,439	24,572	1,867
	<b>319,511</b>	<b>263,201</b>	<b>56,310</b>

**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, 2016

**6. Fund balances**

The fund balances as at December 31, 2016 are as follows:

	<b>General Fund</b>	<b>Restricted Fund</b>	<b>Endowment Fund</b>	<b>Total</b>
	\$	\$	\$	\$
Donor restricted	—	12,857,118	18,118,031	30,975,149
Internally restricted	—	—	—	—
Unrestricted	11,072,357	—	24,629,229	35,701,586
<b>Total fund balances</b>	<b>11,072,357</b>	<b>12,857,118</b>	<b>42,747,260</b>	<b>66,676,735</b>

The fund balances as at December 31, 2015 are as follows:

	<b>General Fund</b>	<b>Restricted Fund</b>	<b>Endowment Fund</b>	<b>Total</b>
	\$	\$	\$	\$
Donor restricted	—	9,278,954	17,088,559	26,367,513
Internally restricted	—	—	—	—
Unrestricted	13,119,793	—	24,629,228	37,749,021
<b>Total fund balances</b>	<b>13,119,793</b>	<b>9,278,954</b>	<b>41,717,787</b>	<b>64,116,534</b>

Included in the General Fund balance is \$58,425 related to funds invested in capital assets. Included in the Endowment Fund under donor restricted is \$2,083,581 of funds on which investment income is unrestricted.

Donated items [gifts in kind] totaling \$113,429 [2015 – \$112,710] were recorded as follows: Restricted Fund, \$36,705 [2015 – \$42,905] and General Fund, \$76,724 [2015 – \$69,805].

**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, 2016

**7. Statement of operations and changes in fund balances**

CHEO is privileged to benefit from approximately 300 Fundraising Partners and Lotteries annually. Included in fundraising and lotteries revenue are the following examples:

<b>Fundraising Partners/Activities</b>	<b>Lotteries</b>
<ul style="list-style-type: none"><li>· CHEO Telethon</li><li>· CN Cycle for CHEO</li><li>· Trees of Hope</li><li>· CHEO B.B.Q.</li><li>· TD Bank</li><li>· Hike for CHEO</li><li>· Costco</li><li>· CASCO</li><li>· Country 101 Radiothon</li><li>· Ski for Kids</li><li>· Walmart</li><li>· NAV Canada</li><li>· LCBO</li><li>· Canada Post</li><li>· Stand Up for CHEO</li></ul>	<ul style="list-style-type: none"><li>· Dream of a Lifetime Lottery</li><li>· Nevada Ticket Sales</li></ul>

**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 was three years, beginning on April 1, 2012 and ending on March 31, 2015, with lease payments of \$77,409 per month, which continued through the negotiation of a new agreement. This amount is included in direct expenses on the statement of operations and changes in fund balances. Subsequent to year-end on April 15, 2016, the Foundation renewed the agreement to lease the parking facility from the Hospital, effective April 1, 2015, for a three-year period ending on March 31, 2018 at the same payment terms of \$77,409 per month.

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 \$4,084,691 [2015 – \$3,901,642] from the parking operations, and incurred \$928,800 [2015 – \$919,678] in lease expense to the Hospital and \$480,114 [2015 – \$473,765] in management fees and operating costs during the year. These expenses were recorded under direct expenses on the statement of operations and changes in fund balances. 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 \$2,289,324 [2015 – \$2,444,134] was distributed to the Hospital for capital and programs. The residual amount retained by the Foundation of \$386,453 [2015 – \$64,065] represents a percentage 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**

December 31, 2016

**9. Distributions to Children’s Hospital of Eastern Ontario and Children’s Hospital of Eastern Ontario Research Institute and Roger Neilson House**

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

	2016	2015
	\$	\$
Research and equipment	<b>1,035,381</b>	931,542
Research grants and programs	<b>5,340,233</b>	5,022,525
Programs and services	<b>2,682,875</b>	4,062,833
Capital equipment	<b>4,234,922</b>	4,147,859
Fellowships	<b>60,000</b>	60,000
Gifts in kind	<b>113,429</b>	112,710
Research building	<b>50,000</b>	50,000
Other capital [ <i>parking – note 8</i> ]	<b>2,289,325</b>	2,444,134
	<b>15,806,165</b>	16,831,603

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

**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 \$233,600 [2015 – \$230,550] and are included in indirect expenses under other fundraising expenses and administration expenses in the statement of operations and changes in fund balances.

The most recent valuation for financial reporting purposes completed by the HOOPP as at December 31, 2016 disclosed total assets available for benefits of \$70.4 billion with pension obligations of \$54.4 billion, resulting in a surplus of \$16 billion. At the end of 2016, the HOOPP was 122% funded. This fully funded status means the Plan has sufficient assets to pay every promised member’s pension benefit, with no shortfall.

During the year, the employer contribution rate to the plan was 126% [2015 – 126%] of the employee amount.

**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, 2016

**11. Commitments**

[a] As at December 31, 2016, commitments amounting to \$16,974,200 [2016 – \$16,769,855] have been approved by the Foundation’s Board of Directors to fund expenditures on behalf of the Hospital, Children’s Hospital of Eastern Ontario Research Institute and Roger Neilson House for fiscal 2017, as follows:

	2017
	\$
Research and equipment	500,000
Capital equipment	4,184,000
Research grants and programs	5,612,000
Programs and services	3,658,200
Research building	50,000
Other capital	2,390,000
Roger Neilson House	580,000
	<u>16,974,200</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] As at December 31, 2016, the Foundation has a letter of credit outstanding, required in connection with its Dream of a Lifetime lottery, amounting to approximately \$3,010,653, which expired February 25, 2017.

**12. Financial instruments and risk management**

The Foundation is exposed to various financial risks through transactions in financial instruments. The Investment Policy of the Foundation addresses risk tolerance and is structured so as to provide for the generation of the maximum rate of return while assuming an appropriate level of risk keeping in mind the goals of capital preservation.

**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 that 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 charges.

**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.

**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. Statement of cash flows**

The net change in non-cash working capital balances related to operations is presented below. A positive balance represents a source of funds and a negative balance represents a use of funds.

	<b>2016</b>	<b>2015</b>
	\$	\$
Interest and other receivables	<b>183,735</b>	80,834
Prepaid expenses	<b>(19,364)</b>	19,891
Other assets	—	(25,599)
Accounts payable and accrued charges	<b>1,467,523</b>	1,814,096
	<b>1,631,894</b>	1,889,222

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**14. Subsequent event**

On May 10, 2016, the Hospital Board of Trustees signed an agreement with the Ottawa Children's Treatment Centre to amalgamate the operations of each entity into a new corporation which came into effect October 1, 2016. The CHEO Foundation and the OCTC Foundation subsequently began discussions to align fundraising efforts in support of the new CHEO-OCTC and this resulted in a merger of operations of the two foundations effective Feb 17, 2017.

**15. Comparative figures**

Comparative figures have been reclassified to conform to the current year's presentation.

