

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

**Financial statements
December 31, 2018**



Independent auditor's 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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Children's Hospital of Eastern Ontario Foundation/La Fondation du Centre hospitalier pour enfants de l'est de l'Ontario** [the "Foundation"], which comprise the statement of financial position as at December 31, 2018, and the statements of operations and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2018, 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.

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our 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 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 Foundation's financial reporting process.

Auditor's 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 auditor's 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 these 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 auditor's 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 auditor's 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.

We 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.

Report on other legal and regulatory requirements

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, 2019

Ernst & Young LLP

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 the Province of Ontario

Statement of financial position

As at December 31

	2018	2017
	\$	\$
Assets		
Current		
Cash and cash equivalents	12,306,934	8,553,544
Short-term investments <i>[note 3]</i>	2,629,624	1,275,355
Interest and other receivables	1,550,827	1,580,730
Prepaid expenses	52,570	120,894
Total current assets	16,539,955	11,530,523
Long-term investments <i>[note 3]</i>	67,289,687	65,731,461
Capital assets, net <i>[note 5]</i>	58,589	77,077
Other assets	122,450	122,450
	84,010,681	77,461,511
Liabilities and fund balances		
Current liabilities		
Accounts payable and accrued liabilities	4,583,436	2,973,922
Total current liabilities	4,583,436	2,973,922
Commitments <i>[note 11]</i>		
Fund balances <i>[note 6]</i>		
General Fund	13,577,075	12,392,008
Restricted Fund	20,776,142	18,077,465
Endowment Fund	45,074,028	44,018,116
Total fund balances	79,427,245	74,487,589
	84,010,681	77,461,511

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 operations and changes in fund balances

For the year ended December 31

	General Fund		Restricted Fund		Endowment Fund		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Lotteries <i>[note 7]</i>	8,049,555	7,631,704	—	—	—	—	8,049,555	7,631,704
Fundraising <i>[note 7]</i>	8,450,938	8,022,186	5,482,300	5,327,916	205,936	—	14,139,174	13,350,102
Investment income <i>[note 3]</i>	56,786	3,564,724	31,111	634,237	41,111	840,059	129,008	5,039,020
Bequests	1,524,184	935,943	150,670	453,805	698,683	266,634	2,373,537	1,656,382
Direct mail	568,780	820,719	9,005	84,478	—	—	577,785	905,197
Major gifts	152,500	796,889	2,049,873	1,952,185	—	—	2,202,373	2,749,074
Parking and miscellaneous revenue <i>[note 8]</i>	4,510,828	4,213,069	—	—	—	—	4,510,828	4,213,069
	23,313,571	25,985,234	7,722,959	8,452,621	945,730	1,106,693	31,982,260	35,544,548
Expenses								
Direct expenses <i>[note 8]</i>	8,036,845	7,560,422	—	—	—	—	8,036,845	7,560,422
Revenue, net of direct expenses	15,276,726	18,424,812	7,722,959	8,452,621	945,730	1,106,693	23,945,415	27,984,126
Indirect expenses <i>[note 10]</i>								
Other fundraising expenses	3,097,388	2,949,380	—	—	—	—	3,097,388	2,949,380
Administrative expenses	1,087,573	984,152	—	—	—	—	1,087,573	984,152
Excess of revenue over expenses before grants	11,091,765	14,491,280	7,722,959	8,452,621	945,730	1,106,693	19,760,454	24,050,594
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>	875,363	2,428,034	13,805,405	14,204,951	—	—	14,680,768	16,632,985
Contribution of services <i>[note 9]</i>	100,070	115,009	39,960	—	—	—	140,030	115,009
	975,433	2,543,043	13,845,365	14,204,951	—	—	14,820,798	16,747,994
Excess (deficiency) of revenue over expenses and grants for the year	10,116,332	11,948,237	(6,122,406)	(5,752,330)	945,730	1,106,693	4,939,656	7,302,600
Fund balances, beginning of year	12,392,008	11,072,357	18,077,465	12,857,118	44,018,116	42,747,260	74,487,589	66,676,735
Funds acquired from amalgamation	—	—	—	508,254	—	—	—	508,254
Interfund transfers <i>[note 4]</i>	(8,931,265)	(10,628,586)	8,821,083	10,464,423	110,182	164,163	—	—
Fund balances, end of year	13,577,075	12,392,008	20,776,142	18,077,465	45,074,028	44,018,116	79,427,245	74,487,589

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

	2018	2017
	\$	\$
Operating activities		
Excess of revenue over expenses before grants	19,760,454	24,050,594
Grants to qualified donees	(14,820,798)	(16,747,994)
Items not affecting cash		
Amortization	18,488	20,882
Investment income	(256,746)	(5,351,275)
Donated shares held as at December 31	(713,096)	(546,205)
Other non-cash items	57,347	(144,012)
	<u>4,045,649</u>	<u>1,281,990</u>
Net change in non-cash balances related to operations <i>[note 13]</i>	<u>1,707,741</u>	<u>(4,594,148)</u>
Cash provided by (used in) operating activities	<u>5,753,390</u>	<u>(3,312,158)</u>
Investing activities		
Withdrawals from (deposits to) externally managed investments	(2,000,000)	2,000,000
Additions to capital assets	—	(39,534)
Cash provided by (used in) investing activities	<u>(2,000,000)</u>	<u>1,960,466</u>
Net change in cash and cash equivalents during the year	<u>3,753,390</u>	<u>(1,351,692)</u>
Cash and cash equivalents, beginning of year	<u>8,553,544</u>	<u>9,905,236</u>
Cash and cash equivalents, end of year	<u>12,306,934</u>	<u>8,553,544</u>

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, 2018

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 Foundation"] 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 CHEO [the "Hospital"], the CHEO Research Institute, and Roger Neilson House. 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, 2018

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
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Notes to financial statements

December 31, 2018

- [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, 2018

3. Investments

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

[b] Investments have an asset mix as follows:

	2018	2017
	\$	\$
Short-term investments		
Cash held by investment managers	2,629,624	1,275,355
Long-term investments		
Equities		
Canadian	12,954,255	12,485,404
Foreign	26,232,131	26,051,214
	39,186,386	38,536,618
Fixed income		
Canadian bonds	22,569,519	21,826,990
Foreign bonds	5,533,782	5,367,853
	28,103,301	27,194,843
	67,289,687	65,731,461
	69,919,311	67,006,816

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:

	2018	2017
	\$	\$
Interest income	874,606	470,634
Dividends	946,081	988,937
Realized and unrealized gains and losses	(1,412,394)	3,961,648
Management fees and transaction costs	(279,285)	(382,199)
	129,008	5,039,020

Children's Hospital of Eastern Ontario Foundation
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Notes to financial statements

December 31, 2018

4. Interfund transfers

Interfund transfers consist of the following:

	General Fund		Restricted Fund		Endowment Fund	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
Transfers in year	(8,931,265)	(10,628,586)	8,821,083	10,464,423	110,182	164,163

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

5. Capital assets

Capital assets comprise the following:

	2018		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture, fixtures and equipment	119,383	81,993	37,390
Computer hardware	195,232	194,952	280
Vehicle	34,864	13,945	20,919
	349,479	290,890	58,589
	2017		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture, fixtures and equipment	119,383	79,049	40,334
Computer hardware	195,232	186,381	8,851
Vehicle	34,864	6,972	27,892
	349,479	272,402	77,077

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, 2018

6. Fund balances

The fund balances as at December 31, 2018 are as follows:

	General Fund	Restricted Fund	Endowment Fund	Total
	\$	\$	\$	\$
Donor restricted	—	20,776,142	19,604,158	40,380,300
Internally restricted	—	—	25,469,870	25,469,870
Unrestricted	13,577,075	—	—	13,577,075
Total fund balances	13,577,075	20,776,142	45,074,028	79,427,245

The fund balances as at December 31, 2017 are as follows:

	General Fund	Restricted Fund	Endowment Fund	Total
	\$	\$	\$	\$
Donor restricted	—	18,077,465	18,658,246	36,735,711
Internally restricted	—	—	25,359,870	25,359,870
Unrestricted	12,392,008	—	—	12,392,008
Total fund balances	12,392,008	18,077,465	44,018,116	74,487,589

Included in the General Fund balance is \$58,589 related to funds invested in capital assets. Included in the Endowment Fund under donor restricted is \$2,360,030 of funds on which investment income is unrestricted. Included in the Endowment Fund under internally restricted is \$24,629,229 of funds on which investment income is unrestricted.

Donated items [gifts in kind] totalling \$388,636 [2017 – \$176,944] were recorded as follows: Restricted Fund, \$345,762 [2017 – \$72,459] and General Fund, \$42,874 [2017 – \$104,485].

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, 2018

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:

Fundraising Partners/Activities	Lotteries
<ul style="list-style-type: none">• CHEO Telethon• CN Cycle for CHEO• RBC Race for the Kids• Trees of Hope• CHEO B.B.Q.• TD Bank• Mike Weir Miracle Drive for Kids• CP Has Heart• Costco• CASCO• Country 101 Radiothon• Ski for Kids• Walmart• NAV Canada• LCBO• Canada Post• Stand Up for CHEO	<ul style="list-style-type: none">• Dream of a Lifetime Lottery• Nevada Ticket Sales

8. Parking agreement

On February 15, 2019, the Foundation renewed the agreement to lease the parking facility from the Hospital, effective April 1, 2018, for a three-year period ending on March 31, 2021 with lease payments of \$77,400 per month, which will continue through the negotiation of a new agreement.

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 \$4,444,193 [2017 – \$4,275,693] from the parking operations, and incurred \$1,069,339 [2017 – \$928,908] in lease expense to the Hospital and \$681,872 [2017 – \$472,221] 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, \$572,331 [2017 – \$2,098,547] was distributed to the Hospital for capital and programs. The residual amount retained by the Foundation of \$2,120,651 [2017 – \$776,017] represents amount available for distribution in future years.

Children’s Hospital of Eastern Ontario Foundation
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Notes to financial statements

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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:

	2018	2017
	\$	\$
Research and equipment	467,051	—
Research grants and programs	6,725,159	5,613,434
Programs and services	3,429,628	3,213,335
Capital equipment	3,127,993	5,595,734
Fellowships	60,000	—
Gifts in kind	388,636	176,944
Research building	50,000	50,000
Other capital <i>[parking – note 8]</i>	572,331	2,098,547
	14,820,798	16,747,994

Distributions were directed as follows: CHEO, \$7,298,432 [2017 – \$10,679,562], CHEO Research Institute, \$6,710,292 [2017 – \$5,844,861] and Roger Neilson House, \$812,074 [2017 – \$223,571].

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, defined benefit, final average pay contributory pension plan. Contributions to the HOOPP during the year by the Foundation on behalf of these employees amounted to \$272,417 [2017 – \$249,132] and are included in indirect expenses under other fundraising expenses and administration expenses in the statement of operations and changes in fund balances. The Foundation does not use defined benefit plan accounting as it does not have sufficient information to do so.

The most recent valuation for financial reporting purposes completed by the HOOPP as at December 31, 2018 disclosed total assets available for benefits of \$79.0 billion with pension obligations of \$65.1 billion, resulting in a surplus of \$13.9 billion. At the end of 2018, the HOOPP was 121% 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% [2017 – 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, 2018

11. Commitments

[a] As at December 31, 2018, commitments amounting to \$16,130,000 [2017 – \$18,574,200] have been approved by the Foundation’s Board of Directors to fund expenditures on behalf of the Hospital, CHEO Research Institute and Roger Neilson House for fiscal 2019, as follows:

	2019
	<u>\$</u>
Capital equipment	3,800,000
Research grants and programs	5,210,000
Programs and services	3,790,000
Research building	50,000
Other capital	3,000,000
Palliative care	<u>280,000</u>
	<u>16,130,000</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] As at December 31, 2018, the Foundation has letters of credit outstanding, required in connection with its Dream of a Lifetime lottery and 50/50 draw, amounting to approximately \$3,717,938, which expired February 23, 2019.

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.

Children's Hospital of Eastern Ontario Foundation
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Notes to financial statements

December 31, 2018

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. Net change in non-cash working capital balances related to operations

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.

	2018	2017
	\$	\$
Interest and other receivables	29,903	(950,013)
Prepaid expenses	68,324	32,517
Accounts payable and accrued charges	1,609,514	(3,676,652)
	1,707,741	(4,594,148)

14. Comparative figures

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