

Financial Statements of

**OTTAWA HOSPITAL RESEARCH
INSTITUTE**

Year ended March 31, 2024

OTTAWA HOSPITAL RESEARCH INSTITUTE

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Year ended March 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Ottawa Hospital Research Institute

Opinion

We have audited the financial statements of the Ottawa Hospital Research Institute (the Entity), which comprise:

- the statement of financial position as at March 31, 2024
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2024, and its results of operations, its changes in net assets 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 auditor's report.

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



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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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the financial statements.

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

We also:

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

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



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- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 27, 2024

OTTAWA HOSPITAL RESEARCH INSTITUTE

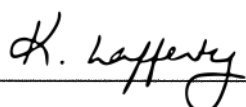
Statement of Financial Position

March 31, 2024, with comparative information for 2023

	Externally restricted	Unrestricted	2024 Total	2023 Total
Assets				
Current assets:				
Cash	\$ –	\$ 29,535,012	\$ 29,535,012	\$ 32,851,925
Short-term investments (note 4(a))	–	7,000,000	7,000,000	5,000,000
Due from The Ottawa Hospital Foundation (note 2(b))	991,096	3,823,220	4,814,316	4,641,050
Amounts receivable (note 3)	13,532,680	576,950	14,109,630	10,950,205
	14,523,776	40,935,182	55,458,958	53,443,180
Prepaid expenses	779,552	41,148	820,700	17,234
Long-term amounts receivables (note 3)	1,169,329	–	1,169,329	–
Investments (note 4(b))	125,992,724	5,921,200	131,913,924	120,252,010
Capital assets (note 5)	18,848,741	–	18,848,741	19,117,288
	\$ 161,314,122	\$ 46,897,530	\$ 208,211,652	\$ 192,829,712
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 2,801,573	\$ 734,492	\$ 3,536,065	\$ 4,053,324
Due to The Ottawa Hospital (note 2(a))	–	7,995,440	7,995,440	1,878,379
Unearned income (note 2)	779,552	7,077,544	7,857,096	7,067,400
Unexpended research project funding (note 6)	137,384,256	–	137,384,256	136,662,913
	140,965,381	15,807,476	156,772,857	149,662,016
Loan payable to The Ottawa Hospital Foundation (note 2(b))	1,500,000	–	1,500,000	–
Deferred capital contributions (note 7)	18,715,821	–	18,715,821	18,940,062
	161,181,202	15,807,476	176,988,678	168,602,078
Net assets (note 8):				
Internally restricted	–	22,077,848	22,077,848	15,082,508
Invested in capital assets	132,920	–	132,920	177,226
Unrestricted	–	9,012,206	9,012,206	8,967,900
	132,920	31,090,054	31,222,974	24,227,634
	\$ 161,314,122	\$ 46,897,530	\$ 208,211,652	\$ 192,829,712

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

OTTAWA HOSPITAL RESEARCH INSTITUTE

Statement of Operations

Year ended March 31, 2024, with comparative information for 2023

	Externally restricted	Unrestricted	2024 Total	2023 Total
Revenue:				
Research projects	\$ 99,368,787	\$ –	\$ 99,368,787	\$ 96,286,677
The Ottawa Hospital Foundation (note 2(b)):				
Research and salary	–	4,756,227	4,756,227	2,423,651
Endowment fund income	–	1,306,280	1,306,280	1,262,460
Indirect cost recovery	–	10,578,094	10,578,094	9,595,650
The Ottawa Hospital (note 2(a))	–	5,079,561	5,079,561	7,482,456
University of Ottawa (note 2(c)):				
Salary support	–	2,098,187	2,098,187	2,044,461
Endowment fund income	–	56,375	56,375	56,375
Medical practice plans	–	7,373,837	7,373,837	6,839,384
Technology transfer program	–	285,922	285,922	428,815
Research ethics board	–	570,709	570,709	534,021
Miscellaneous	–	107,471	107,471	12,020
Investment income (loss) (note 4(b)(i))	–	13,472,916	13,472,916	(339,116)
Amortization of deferred capital contributions (note 7)	3,242,660	–	3,242,660	3,783,904
	102,611,447	45,685,579	148,297,026	130,410,758
Expenses:				
Scientific programs	–	24,072,219	24,072,219	22,585,957
General research administration	–	5,916,314	5,916,314	5,620,485
Technology transfer program	–	451,621	451,621	573,385
Hospital services	–	5,044,334	5,044,334	4,265,380
Other research	–	1,737,338	1,737,338	1,403,438
Research ethics board	–	1,424,107	1,424,107	1,299,988
Research project costs (note 6)	99,368,787	–	99,368,787	96,286,677
Amortization of capital assets	3,286,966	–	3,286,966	3,828,211
	102,655,753	38,645,933	141,301,686	135,863,521
Excess (deficiency) of revenue over expenses	\$ (44,306)	\$ 7,039,646	\$ 6,995,340	\$ (5,452,763)

See accompanying notes to financial statements.

OTTAWA HOSPITAL RESEARCH INSTITUTE

Statement of Changes in Net Assets

Year ended March 31, 2024, with comparative information for 2023

	Externally restricted	Invested in capital assets	Internally restricted	Unrestricted	2024	2023
Balance, beginning of year	\$ –	\$ 177,226	\$ 15,082,508	\$ 8,967,900	\$ 24,227,634	\$ 29,680,397
Excess (deficiency) of revenue over expenses	(44,306)	–	–	7,039,646	6,995,340	(5,452,763)
Transfer to internally restricted	–	–	6,995,340	(6,995,340)	–	–
Amortization of capital assets	3,286,966	(3,286,966)	–	–	–	–
Purchase of capital assets	(3,018,419)	3,018,419	–	–	–	–
Deferred capital contributions received (note 6)	3,018,419	(3,018,419)	–	–	–	–
Amortization of deferred capital contributions	(3,242,660)	3,242,660	–	–	–	–
Balance, end of year	\$ –	\$ 132,920	\$ 22,077,848	\$ 9,012,206	\$ 31,222,974	\$ 24,227,634

See accompanying notes to financial statements.

OTTAWA HOSPITAL RESEARCH INSTITUTE

Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 6,995,340	\$ (5,452,763)
Items not involving cash:		
Amortization of capital assets	3,286,966	3,828,211
Amortization of deferred capital contributions	(3,242,660)	(3,783,904)
Unrealized losses (gains) on investments (note 4)	(8,162,991)	3,197,881
Change in non-cash operating working capital:		
Increase in short-term investments	(2,000,000)	(5,000,000)
Increase in due from The Ottawa Hospital Foundation	(173,266)	(106,265)
Increase in amounts receivable	(3,159,425)	(1,686,682)
Increase in long term amounts receivable	(1,169,329)	–
Decrease (increase) in prepaid expenses	(803,466)	3,815
Increase (decrease) in accounts payable and accrued liabilities	(517,259)	1,445,271
Increase in due to The Ottawa Hospital	6,117,061	1,296,161
Increase in unearned income	789,696	3,567,400
Increase in unexpended research project funding	721,343	2,744,823
	(1,317,990)	53,948
Financing activities:		
Deferred contributions received	3,018,419	3,228,021
Increase in loan payable to The Ottawa Hospital Foundation	1,500,000	–
	4,518,419	3,228,021
Investing activities:		
Net acquisitions of investments	(3,498,923)	(1,698,609)
Purchase of capital assets	(3,018,419)	(3,228,021)
	(6,517,342)	(4,926,630)
Net decrease in cash	(3,316,913)	(1,644,661)
Cash, beginning of year	32,851,925	34,496,586
Cash, end of year	\$ 29,535,012	\$ 32,851,925

See accompanying notes to financial statements.

OTTAWA HOSPITAL RESEARCH INSTITUTE

Notes to Financial Statements

Year ended March 31, 2024

Ottawa Hospital Research Institute (the "Institute") is an independent health research facility closely affiliated with The Ottawa Hospital and the University of Ottawa, committed to excellence in the creation of scientific knowledge that contributes to the prevention, diagnosis, and treatment of human disease. The Institute was incorporated without share capital under the Ontario Corporations Act on December 5, 2000. It began operations on April 1, 2001 as a result of the combination of the Loeb Health Research Institute at The Ottawa Hospital and The Ottawa General Hospital Research Institute. On January 1, 2004, as a result of the integration of the Ottawa Regional Cancer Centre and The Ottawa Hospital, the clinical research activities of the Cancer Centre were absorbed into the Institute.

The Institute is a registered charity under paragraph 149(1)(f) of the Income Tax Act (Canada) and is exempt from income taxes and may issue tax deductible receipts to donors. Furthermore, the Institute has approved research institute status for purposes of clause 37 (1)(a)(ii)(b) of the Act, whereby a donor is eligible for a Scientific Research and Experimental Development (SR&ED) tax credit in the year the contribution is made.

1. Significant accounting policies:

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

(a) Basis of presentation:

On the statement of financial position and the statement of operations, the externally restricted column presents the Institute's assets, liabilities and results of operations related to its research activities that are funded by externally restricted research grants and contributions. The unrestricted column presents the Institute's administrative and non-restricted research operations.

The Institute accounts for its investment in Boreal Biomanufacturing Inc. using the equity method.

(b) Revenue recognition:

The Institute follows the deferral method of accounting for not-for-profit organizations.

The Institute generates revenue through contributions from external funding agencies and related parties.

Contributions receivable are recorded at an estimated realizable value in the period in which the funding agreement is signed. Unrestricted contributions are recorded as revenue when they are received or receivable. Restricted contributions are recorded as deferred revenue and recognized as revenue when the related expenses are incurred.

Contributions restricted for the acquisition of capital assets are recorded as deferred capital contributions and recognized as revenue over the estimated useful life of the related capital assets.

OTTAWA HOSPITAL RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Interest and dividend revenue and realized gains and losses on investments are recognized in the period earned. Unrealized gains and losses on investments are recorded in the period in which they occur.

(c) Expenses:

The Institute classifies expenses on the statement of operations by function. Expenses are recognized in the year incurred and are recorded in the applicable function to which they are related. The Institute does not allocate expenses between functions after initial recognition.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to carry its investments at fair value, with the exception of shares in private companies acquired by the Institute in exchange for patent or license rights, which are recorded at nominal value when the fair value of the transaction is not determinable.

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

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

(e) Capital assets:

Capital assets are stated at cost. Construction in progress comprises construction and development costs capitalized during the construction period. Contributed equipment is recorded at fair value at the date of contribution. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets. Construction in progress assets are not amortized until the project is complete and the assets come into use.

OTTAWA HOSPITAL RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(e) Capital assets (continued):

The estimated useful lives of the assets are as follows:

Asset	Useful life
Furniture and fixtures	5 years
Information system equipment	5 years
Laboratory equipment	5 to 10 years
Stem Cell and Vision Research floors	21 years

Patents are recorded at nominal value and are not amortized.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When the capital asset no longer has any long-term service potential, the excess of its net carrying amount over its residual value is expensed.

(f) Foreign exchange:

Transactions conducted in a foreign currency are translated into Canadian dollars at the exchange rate in effect at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at year-end. Foreign exchange gains and losses are recorded in the statement of operations.

(g) Use of estimates:

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates. These estimates are reviewed annually and, as adjustments become necessary, they are reported in the periods in which they become known.

OTTAWA HOSPITAL RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2024

2. Related entities:

Related party transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties. The Institute has no control over these related parties.

(a) The Ottawa Hospital:

The Ottawa Hospital acts as paymaster for the Institute. The Institute has an amount owing to The Ottawa Hospital of \$7,995,440 (2023 - \$1,878,379). This balance represents the difference between funds deposited at the Hospital and disbursements made on behalf of the Institute at year-end.

The Ottawa Hospital provided the Institute with grants as follows:

	2024	2023
General operating	\$ 4,929,561	\$ 7,332,456
Specific purpose operating	150,000	150,000
	<u>\$ 5,079,561</u>	<u>\$ 7,482,456</u>

The Ottawa Hospital contributed \$Nil (2023 - \$3,500,000) with the restriction that the amount be used to address financial challenges over future fiscal years. The unearned income balance remaining at March 31, 2024 is \$7,000,000 (2023 - \$7,000,000) from The Ottawa Hospital and \$857,096 (2023 - \$67,400) from miscellaneous unearned.

(b) The Ottawa Hospital Foundation:

The Foundation provides administrative and research funding to the Institute. During the year, the Foundation contributed the following:

	2024	2023
Unrestricted research and salary funding	\$ 4,756,227	\$ 2,423,651
Unrestricted endowment fund interest	1,306,280	1,262,460
Restricted endowment fund interest for research projects	540,947	497,335
Restricted research project funding	2,302,676	3,826,239
Deferred capital contributions	80,024	159,694
	<u>\$ 8,986,154</u>	<u>\$ 8,169,379</u>

Of the \$2,302,676 (2023 - \$3,826,239) in restricted research project funding, \$116,389 (2023 - \$778,687) relates to funding received from the Heart and Stroke Foundation that was received from the Foundation as a flow-through.

OTTAWA HOSPITAL RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2024

2. Related entities (continued):

(b) The Ottawa Hospital Foundation (continued):

At year-end, \$4,814,316 (2023 - \$4,641,050) of the total funding from the Foundation was receivable from the Foundation, including \$Nil (2023 - \$526,254) received subsequent to year-end.

During the year, the Institute received a loan of \$1,500,000 from the Foundation to aid in the support of the purchase of new technology for the New Campus Development project. The loan payable is non-interest bearing and is due September 2026.

At March 31, 2024, the Foundation manages funds in the amount of \$58,368,070 (2023 - \$54,875,023), which are designated as Ottawa Hospital Research Institute Endowment Funds. While these funds have been designated to the Institute, they are legally the assets of the Foundation. Of this amount, \$963,485 (2023 - \$911,692) is restricted for the Clinical Epidemiology Unit Director's Research Chair.

(c) The University of Ottawa:

The University of Ottawa contributed \$2,098,187 (2023 - \$2,044,461) during the year to the Institute for salary support.

At March 31, 2024, endowment funds in the amount of \$1,759,433 (2023 - \$1,666,621) for the Clinical Epidemiology Unit Director's Research Chair and \$2,849,733 (2023 - \$2,699,406) for the Neuroscience Research Institute Chair are held by the University of Ottawa. During the year, the Institute received \$149,636 (2023 - \$152,703) of endowment fund income on these endowments.

Certain granting agencies (Canada Foundation for Innovation, Natural Sciences and Engineering Research Council of Canada and Ontario Research Fund) require that their funding flow via an Academic University setting. These funds are then transferred subsequently to the Institute. During the year, The University of Ottawa received \$2,679,789 (2023 - \$3,551,451) on behalf of the Institute's scientists.

The University provides premises and related maintenance and repairs to the Institute's on-site researchers at no charge. These amounts are not included in these financial statements.

OTTAWA HOSPITAL RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2024

3. Amounts receivable:

	2024	2023
Current amounts receivable:		
Universities	\$ 6,104,560	\$ 3,221,573
Hospitals, Charities, Foundations	3,842,370	1,822,187
Government of Canada & other provincial governments	2,299,096	2,749,054
Corporations	1,825,526	3,136,546
Other	38,078	20,845
	14,109,630	10,950,205
Long-term amounts receivable:		
Corporations and other funders	1,169,329	–
Total amounts receivable	\$ 15,278,959	\$ 10,950,205

During the year, the Institute entered into a five-year innovation collaboration agreement with Lumenix involving the implementation and testing of Lumenix Aims Technology. The Institute pays for the licensing fees to operate the technology and in turn will receive royalty payments and a minimum collaboration rebate beginning in year three of the agreement. Lumenix has guaranteed a minimum of \$2,600,000 in revenue to OHRI throughout the term of the agreement. As at March 31, 2024 \$1,169,329 (2023 - \$Nil) has been recorded as a receivable.

4. Investments:

(a) Short-term investments:

Short-term investments consist of a GIC with a maturity date of July 25, 2024 at 5.65%.

As at March 31, 2024, the cost of the Institute's short-term investments is \$7,000,000 (2023 - \$5,000,000).

OTTAWA HOSPITAL RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2024

4. Investments (continued):

(b) Long-term investments:

The following table presents the fair values and related cost of the Institute's investments:

	2024		2023	
	Fair value	Cost	Fair value	Cost
Cash	\$ 96,630	\$ 96,630	\$ 7,817	\$ 7,817
Bonds/fixed income funds	59,389,089	68,331,766	55,266,663	64,071,685
Equity funds/pooled funds	60,317,368	57,990,679	53,328,271	59,248,402
Real estate	12,392,417	12,140,616	11,997,158	11,799,183
Shares in private companies	1	1	1	1
Shares in Boreal				
Biomanufacturing Inc.	100	100	100	100
Management fees payable	(281,681)	(281,681)	(348,000)	(348,000)
	<u>\$ 131,913,924</u>	<u>\$ 138,278,111</u>	<u>\$ 120,252,010</u>	<u>\$ 134,779,188</u>

At year-end, \$281,681 (2023 - \$348,000) was payable to Mercer Global Investments Canada Ltd (MGI) through the investment portfolio.

The Institute holds shares in private companies that were received in exchange for an amendment to a patent/license agreement previously negotiated and in other cases, patent/license agreements to be negotiated. These shares do not give the Institute the ability to significantly influence or exercise control over these private companies. The shares are recorded in these financial statements at a nominal value as the value of the consideration given or received could not be determined. The fair value of these shares in private companies is not determinable.

The Institute controls Boreal Biomanufacturing Inc. a wholly-owned, profit-oriented subsidiary which was incorporated on December 20, 2021 under the Canada Corporations Act. The corporation has a primary focus on manufacturing biotherapeutics. There has not been any activity to date in the entity.

The bonds/fixed income funds have interest rates ranging from 0.00% to 21.0% (2023 - 0.00% to 16.35%) and maturity dates ranging from 2024 to 2099 (2023 – 2024 to 2121).

OTTAWA HOSPITAL RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2024

4. Investments (continued):

(b) Long-term investments (continued):

(i) Investment income(loss):

	2024	2023
Realized gains, dividends and interest on investments	\$ 3,498,924	\$ 1,698,508
Unrealized gains (losses) on investments	8,162,991	(3,197,881)
Bank interest	1,811,001	1,160,257
	<u>\$ 13,472,916</u>	<u>\$ (339,116)</u>

5. Capital assets:

	2024		2023	
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 1,431,498	\$ 1,431,498	\$ –	\$ –
Information system equipment	148,656	75,061	73,595	93,431
Laboratory equipment	63,973,317	50,441,654	13,531,663	13,247,381
Stem Cell and Vision Research floors	25,934,376	21,388,249	4,546,127	5,350,961
Patents	1	–	1	1
Construction-in-progress	697,355	–	697,355	425,514
	<u>\$ 92,185,203</u>	<u>\$ 73,336,462</u>	<u>\$ 18,848,741</u>	<u>\$ 19,117,288</u>

Cost and accumulated amortization of capital assets as at March 31, 2023 amounted to \$89,166,785 and \$70,049,497, respectively.

During the year ended March 31, 2024, the Institute disposed of equipment with a cost of \$1,043,897 (2023 - \$Nil) and accumulated amortization of \$691,401 (2023 - \$Nil) for proceeds of \$Nil (2023 - \$Nil), resulting in a loss of \$352,496. The Institute also recognized deferred capital contribution grants for \$1,043,897 (2023 - \$Nil) and reversed accumulated amortization of \$691,401 (2023 - \$Nil) resulting in an offsetting gain of \$352,946. (2023 - \$Nil)

OTTAWA HOSPITAL RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2024

6. Unexpended research project funding:

Unexpended research project funding represents amounts received by the Institute which will be used in subsequent periods on active research projects. Changes in the unexpended research project funding balance are as follows:

	2024	2023
Balance, beginning of year	\$ 136,662,913	\$ 133,918,090
Amounts received in the current period	103,108,549	102,259,521
	239,771,462	236,177,611
Less:		
Research project costs	(99,368,787)	(96,286,677)
Amount transferred to deferred capital contributions	(3,018,419)	(3,228,021)
Balance, end of year	\$ 137,384,256	\$ 136,662,913

7. Deferred capital contributions:

	2024	2023
Balance, beginning of year	\$ 18,940,062	\$ 19,495,945
Additions	3,018,419	3,228,021
Amortization	(3,242,660)	(3,783,904)
Balance, end of year	\$ 18,715,821	\$ 18,940,062

Included in deferred capital contributions is \$697,355 (2023 - \$425,514) related to the construction-in-progress.

8. Net assets:

The Institute considers its capital to consist of its unrestricted net assets, internally restricted net assets and its net assets invested in capital assets. The Institute's overall objective with its capital is to fund capital asset acquisitions, ongoing operations, and future health research. The Institute is not subject to externally imposed capital requirements and its overall definition and strategy with respect to capital remains unchanged from the year ended March 31, 2023.

OTTAWA HOSPITAL RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2024

8. Net assets (continued):

(a) Internally restricted net assets:

The purpose of internally restricted net assets is to provide stability and funding for unforeseen events. The balance of internally restricted net assets consists of:

	2024	2023
Equalization Fund	\$ 22,009,848	\$ 15,082,508
Trainee Initiatives	68,000	–
	<u>\$ 22,077,848</u>	<u>\$ 15,082,508</u>

(i) Equalization Fund

The Equalization Fund was established by the Board of Directors to provide the Institute with stable investment income for short-term and long-term budget planning. On an annual basis, Management along with the investment managers set a budgeted return on investments, which is approved by the Board. Actual investment income in excess of the budgeted amount, to the maximum of net income for the year, is transferred to the Equalization Fund. When actual investment income is less than the budgeted amount, the difference up to the maximum of the balance of the Equalization Fund or the Institute's net loss is transferred to the unrestricted net assets from the Equalization Fund.

During the year, \$6,927,340 was transferred to the Equalization Fund from unrestricted net assets (2023 - \$5,400,000 transferred from the Equalization Fund to unrestricted new assets).

(ii) Trainee Initiatives

During the year, the Trainee Initiatives Fund was established for specific trainee initiatives in accordance with the terms of a donation from the Foundation.

During the year, \$68,000 was transferred to the Trainee Initiatives Fund from unrestricted net assets.

OTTAWA HOSPITAL RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2024

8. Net assets (continued):

(b) Invested in capital assets:

The purpose of the Institute's net assets invested in capital assets is to fund the past acquisition of capital assets required for operational purposes.

The Institute's net assets invested in capital assets is calculated as follows:

	2024	2023
Capital assets	\$ 18,848,741	\$ 19,117,288
Amounts financed by:		
Deferred contributions related to capital assets (note 7)	(18,715,821)	(18,940,062)
	\$ 132,920	\$ 177,226

9. Pension plan:

Substantially all of the full-time employees of the Institute are members of the Healthcare of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death that provide the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, which is currently calculated as 1.26 times the employees' pension contribution, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 2023 indicates the Plan is fully funded. Contributions to the Plan made during the year by the Institute on behalf of its employees amounted to \$4,754,422 (2023 - \$4,515,010) and are recorded as an expense in the statement of operations.

OTTAWA HOSPITAL RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2024

10. Financial instruments:

Financial risk factors:

The Institute's activities expose it to a variety of financial risks: market risk (including interest rate, currency (foreign exchange), and other price risks), credit risk and liquidity risk. Investments are held for liquidity purposes, or for longer terms, to achieve the highest possible rate of return consistent with the investment policies approved by the Board of Directors. The Institute does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Institute is exposed to this risk relating to its cash, amounts receivable, and investments.

The Institute holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. The Institute's receivables are primarily with governments, government funding agencies, corporate entities as disclosed in note 3. Management does not believe it is exposed to any significant credit risk as receivables are primarily from related parties and government organizations.

(b) Liquidity risk:

Liquidity risk is the risk that the Institute will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Institute manages its liquidity risk by monitoring its operating requirements. The Institute prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and other price.

(i) Currency risk:

Foreign currency risk refers to the extent to which instruments denominated in a currency other than Canadian dollars will be affected by changes in the value of the Canadian dollar in relation to other currencies. This exposure arises from the Institute's holdings of foreign cash balances, equities, and bonds. From time to time the Institute has investments in various U.S. securities and cash, which are subject to foreign currency risk. The Institute's exposure to investments denominated in U.S. currencies is \$32,612,259 (2023 - \$27,108,390). The Institute does not hedge its foreign currency risk.

OTTAWA HOSPITAL RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2024

10. Financial instruments (continued):

(c) Market risk (continued):

(ii) Interest rate risk:

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

(iii) Other price risk:

Other price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Institute is exposed to this risk through its equity holdings within its investment portfolio as disclosed in note 4. The Institute manages other price risk through diversification of its investments and regular monitoring of investment performance.

The Institute's financial risks have increased during the year due to rising interest rates and market price fluctuations. Management believes that these financial risks are appropriately mitigated and do not pose significant risk to the Institute's on-going operations. There have been no significant changes in the policies, procedures, and methods used to manage these risks in the year.

11. Comparative information

Certain comparative information has been reclassified to conform with the non-consolidated financial statement presentation adopted for 2024.