

Financial Statements of

**OTTAWA HOSPITAL RESEARCH
INSTITUTE**

Year ended March 31, 2011



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Ottawa Hospital Research Institute

We have audited the accompanying financial statements of the Ottawa Hospital Research Institute, which comprise the statement of financial position as at March 31, 2011, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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 generally accepted accounting principles, 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 our 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, we 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 the Ottawa Hospital Research Institute as at March 31, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 29, 2011

Ottawa, Canada

OTTAWA HOSPITAL RESEARCH INSTITUTE

Statement of Financial Position

March 31, 2011, with comparative figures for 2010

	Externally restricted	Unrestricted	Total 2011	Total 2010
Assets				
Current assets:				
Cash and cash equivalents	\$ 18,098,048	\$ 3,891,099	\$ 21,989,147	\$ 29,919,984
Due from The Ottawa Hospital Foundation (note 3(b))	92,852	2,635,848	2,728,700	1,960,024
Prepaid expenses	13,331	–	13,331	35,616
Amounts receivable	6,123,236	536,192	6,659,428	10,279,546
	24,327,467	7,063,139	31,390,606	42,195,170
Investments (note 4)	39,186,948	–	39,186,948	36,883,451
Capital assets (note 5)	28,774,869	–	28,774,869	31,740,132
	\$ 92,289,284	\$ 7,063,139	\$ 99,352,423	\$ 110,818,753
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 1,709,726	\$ 877,992	\$ 2,587,718	\$ 11,824,218
Loan payable (note 3(d))	306,390	143,610	450,000	700,000
Due to The Ottawa Hospital (note 3(a))	–	1,883,412	1,883,412	2,102,227
Unearned income	–	780,379	780,379	1,041,479
Unexpended research project funding (note 6)	61,804,689	–	61,804,689	61,307,806
	63,820,805	3,685,393	67,506,198	76,975,730
Long-term liabilities:				
Deferred capital contributions (note 7)	27,759,574	–	27,759,574	30,225,588
Sick leave (note 11)	–	136,786	136,786	137,306
	27,759,574	136,786	27,896,360	30,362,894
Net assets:				
Internally restricted (note 8)	–	1,854,961	1,854,961	1,385,225
Invested in capital assets	708,905	–	708,905	814,544
Unrestricted	–	1,385,999	1,385,999	1,280,360
	708,905	3,240,960	3,949,865	3,480,129
Commitments (note 9)				
	\$ 92,289,284	\$ 7,063,139	\$ 99,352,423	\$ 110,818,753

See accompanying notes to financial statements.

On behalf of the Board:

 Director
 Director

OTTAWA HOSPITAL RESEARCH INSTITUTE

Statement of Operations

Year ended March 31, 2011, with comparative figures for 2010

	Externally restricted	Unrestricted	Total 2011	Total 2010
Revenue:				
The Ottawa Hospital Foundation (note 3(b)):				
Research and salary	\$ –	\$ 1,040,148	\$ 1,040,148	\$ 215,627
Endowment fund income	–	2,640,077	2,640,077	2,553,429
Indirect cost recovery	–	5,333,796	5,333,796	5,550,298
The Ottawa Hospital (note 3(a))	–	5,165,924	5,165,924	5,213,384
University of Ottawa (note 3(c)):				
Salary support	–	1,598,329	1,598,329	1,653,344
Endowment fund income	–	219,854	219,854	127,176
Medical practice plans	–	4,847,522	4,847,522	4,911,988
Research projects	67,877,016	–	67,877,016	76,256,489
Miscellaneous	–	949,542	949,542	368,371
Investment (note 4)	–	2,533,887	2,533,887	3,766,022
Amortization of deferred capital contributions	4,026,341	–	4,026,341	4,331,743
	<u>71,903,357</u>	<u>24,329,079</u>	<u>96,232,436</u>	<u>104,947,871</u>
Expenses:				
Scientific programs	–	15,210,323	15,210,323	14,884,469
General research administration	–	3,062,192	3,062,192	2,711,626
Technology transfer program	–	350,739	350,739	221,207
Hospital services	–	3,466,934	3,466,934	3,646,681
Other research	–	977,125	977,125	958,403
Research ethics board	–	747,723	747,723	507,721
Research project costs (note 6)	67,877,016	–	67,877,016	76,256,489
Amortization of capital assets	4,070,648	–	4,070,648	4,376,050
	<u>71,947,664</u>	<u>23,815,036</u>	<u>95,762,700</u>	<u>103,562,646</u>
Excess (deficiency) of revenue over expenses	\$ (44,307)	\$ 514,043	\$ 469,736	\$ 1,385,225

See accompanying notes to financial statements.

OTTAWA HOSPITAL RESEARCH INSTITUTE

Statement of Changes in Net Assets

Year ended March 31, 2011, with comparative figures for 2010

	Externally Restricted	Internally Restricted (note 8)	Investment in capital assets	Unrestricted	2011	2010
Net assets, beginning of year	\$ —	\$ 1,385,225	\$ 814,544	\$ 1,280,360	\$ 3,480,129	\$ 2,094,904
Excess (deficiency) of revenue over expenses	(44,307)	—	—	514,043	469,736	1,385,225
Transfer to internally restricted (note 8)	—	469,736	—	(469,736)	—	—
Amortization of capital assets	4,070,648	—	(4,070,648)	—	—	—
Capital asset additions	(1,105,385)	—	1,105,385	—	—	—
Deferred capital contributions received (note 7)	1,105,385	—	(1,560,327)	454,942	—	—
Amortization of deferred capital contributions	(4,026,341)	—	4,026,341	—	—	—
Repayment of loan payable	—	—	250,000	(250,000)	—	—
Reclassification of portion of loan payable to unrestricted (note 3(d))	—	—	143,610	(143,610)	—	—
Net assets, end of year	\$ —	\$ 1,854,961	\$ 708,905	\$ 1,385,999	\$ 3,949,865	\$ 3,480,129

See accompanying notes to financial statements.

OTTAWA HOSPITAL RESEARCH INSTITUTE

Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Cash and cash equivalents provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 469,736	\$ 1,385,225
Items not involving cash:		
Amortization of capital assets	4,070,648	4,376,050
Amortization of deferred capital contributions	(4,026,341)	(4,331,743)
Unrealized gains on investments (note 4)	(972,146)	(2,498,687)
Changes in non-cash operating working capital:		
Decrease (increase) in due from The Ottawa Hospital Foundation	(768,676)	340,655
Decrease in prepaid expenses	22,285	43,754
Decrease in amounts receivable	3,620,118	3,968,906
Increase (decrease) in accounts payable and accrued liabilities	(9,236,500)	8,017,815
Increase (decrease) in due to The Ottawa Hospital	(218,815)	1,068,841
Decrease in unearned income	(261,100)	(438,536)
Increase in unexpended research project funding	496,883	12,741,472
Decrease in sick leave	(520)	(17,673)
	(6,804,428)	24,656,079
Investing activities:		
Additions to investments	(1,331,351)	(1,282,013)
Purchase of capital assets	(1,105,385)	(1,179,700)
	(2,436,736)	(2,461,713)
Financing activities:		
Repayment of loan payable	(250,000)	-
Deferred capital contributions received	1,560,327	2,424,342
	1,310,327	2,424,342
Increase (decrease) in cash and cash equivalents	(7,930,837)	24,618,708
Cash and cash equivalents, beginning of year	29,919,984	5,301,276
Cash and cash equivalents, end of year	\$ 21,989,147	\$ 29,919,984
Cash and cash equivalents consist of:		
Cash on deposit	\$ 16,989,147	\$ 24,919,984
Guaranteed investment certificate	5,000,000	5,000,000
Cash and cash equivalents, end of year	\$ 21,989,147	\$ 29,919,984

See accompanying notes to financial statements.

OTTAWA HOSPITAL RESEARCH INSTITUTE

Notes to Financial Statements

Year ended March 31, 2011

1. Objectives:

The 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 Corporations Act of Ontario 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 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] [iii] [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.

2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies.

(a) Basis of presentation:

The financial statements are prepared under the deferral method of accounting for contributions for not-for-profit organizations. 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.

(b) Revenue recognition:

- (i) 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 recognized 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.
- (ii) 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 assets.

OTTAWA HOSPITAL RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2011

2. Significant accounting policies (continued):

(b) Revenue recognition (continued):

(iii) 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 reports 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:

(i) Investments:

Investments are designated as held for trading and are recorded at fair value. Sales and purchases of investments are recorded on the settlement date. Transaction costs related to the acquisition of investments are expensed

Shares in private companies acquired by the Institute in exchange for patent or license rights are recorded at a nominal value when the fair value of the transaction is not determinable.

(ii) Other financial instruments:

The Institute has classified due from The Ottawa Hospital Foundation and amounts receivable as loans and receivables and accounts payable and accrued liabilities, loan payable, due to The Ottawa Hospital and sick leave as other liabilities. Upon initial recognition, these financial assets and liabilities are measured at amortized cost using the effective interest rate method of amortization.

(e) Capital assets:

Capital assets are stated at cost. 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. The estimated useful lives of the assets are:

Asset	Useful Life
Computer equipment	5 years
Furniture and fixtures	5 years
Laboratory equipment	5 to 10 years
Stem Cell and Vision Research floors	21 years

Patents are recorded at a nominal value and are not amortized.

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Notes to Financial Statements (continued)

Year ended March 31, 2011

2. Significant accounting policies (continued):

(e) Capital assets (continued):

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(f) Foreign exchange:

Transactions conducted in a foreign currency are translated into Canadian dollars at the average exchange rate for the period. Assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at year-end. Foreign exchange gains and losses are included in income.

(g) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenue and expenses during the period. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the period in which they become known.

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Notes to Financial Statements (continued)

Year ended March 31, 2011

3. Related entities:

(a) The Ottawa Hospital:

The Ottawa Hospital receives a significant amount of the Institute's research grants and contributions and distributes these funds to cover research expenses on behalf of the Institute. The Ottawa Hospital also acts as paymaster for the Institute. The Institute has an amount due to The Ottawa Hospital of \$1,883,412 (2010 - \$2,102,227). 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:

	2011	2010
General operating	\$ 4,641,924	\$ 4,694,840
Specific purpose operating	523,000	518,544
	<u>\$ 5,165,924</u>	<u>\$ 5,213,384</u>

(b) The Ottawa Hospital Foundation:

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

	2011	2010
Unrestricted endowment fund interest	\$ 2,640,077	\$ 2,553,429
Unrestricted research and salary funding	1,040,148	215,627
Restricted endowment fund interest for research projects	54,790	47,277
Restricted research project funding	547,833	586,040
Deferred capital contributions	510,675	301,168
	<u>\$ 4,793,523</u>	<u>\$ 3,703,541</u>

The funding for restricted research projects is recorded as unexpended research project funding and is recognized as research project revenue in the period used.

OTTAWA HOSPITAL RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2011

3. Related entities (continued):

(b) The Ottawa Hospital Foundation (continued):

At year end, \$2,728,700 (2010 - \$1,960,024) of these amounts was receivable from the Foundation.

At March 31, 2011, the Foundation manages funds in the amount of \$50,832,318 (2010 - \$44,031,344), which are designated as The 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, \$995,747 (2010 - \$930,549) is restricted for the Clinical Epidemiology Unit Director's Research Chair, and \$15,689,701 (2010 - \$11,867,989) is restricted for the Sprott Endowment for Stem Cell Research.

(c) The University of Ottawa:

The University of Ottawa contributed \$1,598,329 (2010 - \$1,653,344) during the year to the Institute for salary support.

At March 31, 2011, endowment funds in the amount of \$1,163,367 (2010 - \$1,108,377) for the Clinical Epidemiology Unit Director's Research Chair, \$1,516,623 (2010 - \$1,445,452) for the Dr. J. David Grimes Research Chair and \$1,882,480 (2010 - \$1,792,730) for the Neuroscience Research Institute chair are held by the University of Ottawa. In the year, the Institute received \$219,854 (2010 - \$127,176) in interest on these endowments.

The University provides premises and related maintenance and repairs to the Institute's on-site researchers at no charge. The value of these services is not included in these financial statements.

(d) Loan payable:

The University of Ottawa provided a loan to the Institute for the purpose of funding the construction of the Vision floor. The loan from the University of Ottawa is non-interest bearing and is repayable starting in 2011, as agreed, if fundraising and/or grant submissions are not successful. The balance of the loan is \$450,000 (2010 - \$700,000). The Institute expects fundraising of \$306,390 to be received in future years to fund the payment of the loan payable.

OTTAWA HOSPITAL RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2011

4. Investments:

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

	2011		2010	
	Fair value	Cost	Fair value	Cost
Money market funds	\$ 5,822,591	\$ 5,822,591	\$ 5,582,222	\$ 5,582,222
Bonds	23,421,373	23,325,841	20,964,501	20,937,986
Mutual funds	9,942,983	9,377,535	10,336,727	10,674,408
Shares in private companies	1	1	1	1
	<u>\$ 39,186,948</u>	<u>\$ 38,525,968</u>	<u>\$ 36,883,451</u>	<u>\$ 37,194,617</u>

The Institute holds shares in private companies that were received in exchange for an amendment to a patent/licence agreement previously negotiated and in other cases, patent or 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 market value of these shares in private companies is not determinable.

The bonds have interest rates of 1.75% to 11% and maturity dates ranging from March 2012 to December 2040.

The following table presents the breakdown of the investment revenue on investments held by the Institute:

	2011	2010
Realized gains on investments	\$ 1,331,351	\$ 1,245,575
Unrealized gains on investments	972,146	2,498,687
Interest	235,965	52,334
Foreign exchange loss	(5,575)	(30,574)
	<u>\$ 2,533,887</u>	<u>\$ 3,766,022</u>

OTTAWA HOSPITAL RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2011

5. Capital assets:

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
Computer equipment	\$ 5,460,018	\$ 5,393,304	\$ 66,714	\$ 111,178
Furniture and fixtures	1,847,807	1,795,744	52,063	107,771
Laboratory equipment	35,030,019	25,408,247	9,621,772	11,299,347
Stem Cell and Vision Research floors	24,855,382	5,821,063	19,034,319	20,221,835
Patents	1	–	1	1
	<u>\$ 67,193,227</u>	<u>\$ 38,418,358</u>	<u>\$ 28,774,869</u>	<u>\$ 31,740,132</u>

Cost and accumulated amortization at March 31, 2010 amounted to \$66,497,812 and \$34,757,680 respectively. In the year the Institute disposed of fully amortized capital assets with a cost and accumulated amortization of \$409,970.

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:

	2011	2010
Balance, beginning of year	\$ 61,307,806	\$ 48,566,334
Amounts received in the current period	69,934,226	91,422,303
	<u>131,242,032</u>	<u>139,988,637</u>
Less:		
Research project costs	(67,877,016)	(76,256,489)
Amount transferred to deferred capital contributions	(1,560,327)	(2,424,342)
	<u>(69,437,343)</u>	<u>(78,680,831)</u>
Balance, end of year	<u>\$ 61,804,689</u>	<u>\$ 61,307,806</u>

OTTAWA HOSPITAL RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2011

7. Deferred capital contributions:

	2011	2010
Balance, beginning of year	\$ 30,225,588	\$ 32,132,989
Received	1,560,327	2,424,342
Amortization	(4,026,341)	(4,331,743)
Balance, end of year	\$ 27,759,574	\$ 30,225,588

The deferred capital contribution received consists of \$1,105,385 for current year capital asset additions and \$454,942 relating to the prior year construction of the Stem Cell and Vision floors.

8. Internally restricted net assets:

Internally restricted net assets is comprised of the Equalization Fund.

The Equalization Fund was established by the Board of Directors to provide the Institute with stable investment income for short 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, to the maximum of the balance of the Equalization Fund, is transferred to the unrestricted fund from the Equalization Fund. During the year, \$469,734 (2010 - \$1,385,225) was transferred to the Equalization Fund for a fund balance of \$1,854,969.

OTTAWA HOSPITAL RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2011

9. Commitments:

The Institute is committed to providing contributions to The Ottawa Hospital in respect of the construction or fit up of various buildings or floors as follows:

	Commitment
Cancer Centre	\$ 5,220,000
Regenerative Medicine floors	1,840,000
The Centre for Practice Changing Research	1,160,000

At year end the Institute has secured external funding for these commitments in the amount of \$8,220,000. The timing of the distribution of these commitments had not yet been determined.

10. Pension plan:

Substantially all of the full-time employees of the Institute are members of the Hospitals 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, together with the 1.3% of salary contributed by employees, 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 31, 2009 indicates the plan is fully funded. Contributions to the plan made during the year by the Institute on behalf of its employees amounted to \$1,804,453 (2010 - \$1,679,359) and are recorded in expenses in the statement of operations.

OTTAWA HOSPITAL RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2011

11. Sick leave:

Accrued sick leave relates to the accumulated balance for compensated absences for employees of the former Ottawa Civic Hospital before amalgamation. Under the amalgamation agreement, this balance has been frozen and will be paid out to employees upon their departure from the Institute and related entities.

12. Financial instruments:

(a) Fair value:

The Institute's financial instruments consist of cash, amounts receivable, due from The Ottawa Hospital Foundation, investments, accounts payable and accrued liabilities, loan payable, due to The Ottawa Hospital and sick leave.

The carrying values of cash, amounts receivable, due from The Ottawa Hospital Foundation, accounts payable and accrued liabilities, loan payable and due to The Ottawa Hospital approximate their fair values due to the relatively short periods to maturity of the instruments.

Investments are recorded at fair value as disclosed in note 4. The fair value of sick leave is not determinable.

(b) Interest rate, currency and credit risk:

The Institute's exposure to interest rate risk relates to its investments in bonds and money market funds. Foreign currency risk is limited to the Institute's investment in international mutual funds totaling \$3,574,685 (2010 - \$3,141,902). The Institute's credit risk exposure relates to its investments and amounts receivable.

13. Capital disclosures:

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 purpose of internally restricted net assets is to provide stability and funding for unforeseen events. The purpose of the net assets invested in capital assets is to fund the past acquisition of capital assets required for operational purposes.

The Institute is not subject to externally imposed capital requirements and its overall strategy with respect to capital remains unchanged from the year ended March 31, 2010.