

CHEO case study examining the financial relationship between a hospital and its foundations

By

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Abstract

The COVID-19 pandemic, along with other societal trends, such as hospital funding restrictions and aging population, makes the examination and understanding of the health sector essential. This thesis examines the relationships between non-profit organizations, specifically hospitals and hospital foundations. Few studies have examined the relationships between hospitals and hospital foundations in a Canadian context. This research offers a better understanding of the relationships between hospitals and hospital foundations from a financial viewpoint. The research approach taken is qualitative and descriptive. The research strategy is a case study focusing on Children's Hospital of Eastern Ontario (CHEO) along with its associated foundations: CHEO Foundation, CHEO Research Institute, and Roger Neilson House (RNH). This study contributes to assisting hospitals and hospital foundation stakeholders in understanding the interrelationships between hospitals and their foundations. Results show a close financial relationship between the CHEO group of entities consistent with high levels of collaboration.

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List of Abbreviations

CHEO	Children’s Hospital of Eastern Ontario
CHEO Foundation	Children’s Hospital of Eastern Ontario Foundation
CHEO Research Institute	Children’s Hospital of Eastern Ontario Research Institute
CICA	Canadian Institute of Chartered Accountants
CIHI	Canadian Institute for Health Information
CRA	Canada Revenue Agency
ITA	Income Tax Act
LHIN	Local Health Integration Network
MOHLTC	Ministry of Health and Long-Term Care
OCTC	Ottawa Children Treatment Centre
OHA	Ontario Hospital Association
OHIP	Ontario Health Insurance Plan
RNH	Roger Neilson House

CHAPTER 1: INTRODUCTION AND PROBLEMATIZATION

This research focuses on the financial relationships between a Canadian hospital and its foundations as an example of non-profit accountability relationships. Non-profit organizations offer support to Canadians in various aspects of their lives, including the delivery of services such as health care, education, and housing. The charitable and non-profit sector plays a crucial role in Canada's economy, representing 8.5% of Canada's GDP in 2017, an increase from 7.4% a decade prior (Imagine Canada, 2019). Within the non-profit sector in Canada, there is evidence of both a welfare partnership model and an Anglo-Saxon model, as recognized by Hall, Barr, Easwaramoorthy, Sokolowski, & Salamon (2005). Canada's non-profit sector has specific characteristics that indicate a welfare partnership model, namely its high levels of government funding and predominance of service activities. In contrast, the strong volunteer presence and private philanthropy that Canada's non-profit sector enjoys are more aligned with an Anglo-Saxon model. These influences are important because they allow society to be involved in the services provided by the non-profit sector.

Canada's health care system is predominately publicly funded, aligning with a welfare partnership model. Approximately 70% of total health expenditures are publicly funded by governments at the federal, provincial/territorial, and municipal levels (Canadian Institute for Health Information, 2019). The private sector, including out-of-pocket spending and private health insurance, covers the remaining 30% (Canadian Institute for Health Information, 2019). A national survey conducted in 2015 found that while 75% of Canadians believe that Canada has one of the best health care systems in the developed world, 64% of Canadians worry that the health care system is falling behind (Ottawa Insights, 2019). Thus, it is important to understand

relationships among key players in the Canadian health care system. This research examines financial relationships among a hospital and its foundations as an example of these relationships in the hopes of identifying strategies to support the efficient and effective delivery of health services in Canada.

Hospitals are a vital part of the health care system, representing the largest share, 26.6%, of Canada's total health expenditures (Canadian Institute for Health Information, 2019). While hospitals in Canada are largely publicly funded, many hospitals have affiliated hospital foundations. The establishment of hospital foundations reflects the growing social and political importance of the voluntary and non-profit sector in many capitalist countries, including Canada (Greenburg & Walters, 2004). Establishing a hospital foundation has been recognized both in Canada and the U.S as a mechanism to cope with the uncertain environment organizations are faced within the health care sector. The primary purpose of hospital foundations is to raise funds and ultimately donate to hospitals per Canada Revenue Agency (CRA) regulations (Pink & Leatt, 1991).

In areas such as health, Canadian foundations play a complementary role to their hospitals (Elson, Fontan, Lefèvre, & Stauch, 2018). Funds provided to hospitals by their foundations are crucial to keeping up with annual growth in hospital expenditures. During 2011-12 to 2016-17 hospitals exhibited a 1% average annual expense growth, rising to 4.7% in 2017-18 and 2018-19 (Financial Accountability Office of Ontario, 2019). Beyond providing necessary resources to hospitals, hospital foundations allow the hospital to focus on its health delivery mandate, while foundations create a more effective giving process (Marlin, Geiger, & Ritchie, 2013).

While there are different relationship dimensions between hospitals and their foundations (including strategic, operational, and governance dimensions), the focus in this thesis is on the financial relationship. This research offers a finer understanding of the financial relationships between hospitals and hospital foundations. Specific attention to the relationship between Canadian hospitals and their hospital foundations is critical due to the integral role hospital foundations play in supporting hospitals financially and allowing the hospital to focus on providing efficient and effective care, while foundations facilitate raising and allocating donations. Additionally, understanding the relationships between hospitals and their foundations offers insights into how these relationships may be enhanced in the future.

1.1 Research Theme

1.1.1 The Hospital Context

The non-profit sector is described as “the space between the state and the market economy” (Katz, 1999, p. 76). In Canada, a non-profit organization may be defined as “an organization formed for social, philanthropic, or similar purposes, in which there is normally no transferrable ownership interest, and that does not carry-on business with a view to distribution or use of any profits for the pecuniary gain of its members” (CICA, 1992, p. 143). Canada has over 170,000 non-profit organizations, with 86,000 classified as registered charities (Imagine Canada, 2013), including many hospitals and hospital foundations.

Health care comprises the largest budget item (32.7%) for Canadian provincial, territorial and local governments (Statistics Canada, 2020). Total Canadian health care expenditure in 2018 was \$254.6 billion (Canadian Institute for Health Information, 2020). In Ontario, the site of this research case study, the health care system is considered decentralized (Pilon & Brouard, 2020a). According to Pilon & Brouard (2020a), health care organizations in Ontario fall into each of the public sector, the non-profit sector, the private sector, and citizens.

Under the *Public Hospitals Act, 1990* (section 146), hospitals are defined as “any institution, building, or other premises or place that is established for the purpose of the treatment of patients”. Ontario hospitals are corporations accountable to their board and directly responsible for their day-to-day management (Office of the Auditor General, 2019). From the 141 public hospitals in Ontario, 123 are acute-care hospitals, meaning patients are provided with active short-term treatment (Office of the Auditor General, 2019). Eight hospitals are classified as chronic-care and rehabilitation hospitals to assist patients needing long-term care. Additionally, four hospitals are recognized as specialty psychiatric hospitals. Six hospitals provide a variety of outpatient and rehabilitation services. In addition, the differentiation of hospitals can be seen through their recognized funding category consisting of teaching, small community, medium community, large community, and specialty child hospitals (Office of the Auditor General, 2019). This research focuses on the Children’s Hospital of Eastern Ontario (CHEO), an acute-care hospital focused on children’s health care needs.

1.1.2 The Hospital Foundation Context

Later in the methods section will establish why understanding context is important, however, to help grasp the setting of this study, there is first contextualization of the charitable sector in Canada followed by providing an overview of the health care sector in Ontario. In Canada, registered charities are classified as either public foundations, private foundations, or charitable organizations (Philanthropic Foundations Canada, 2021). CRA describes a registered charity as an organization established and operated exclusively for charitable purposes (Brouard, 2020). Registered charities must identify their public purpose along four pillars of charitable purposes: education, religion, other public benefits, and welfare (Elson et al., 2018). Within the broad heading of registered charities, hospitals in Canada are mainly classified as ‘charitable organizations’. Many of these hospitals have one or more affiliated foundations that are also classified as registered charities (Lavis & Hammill, 2016).

Section 149.1 of the *Income Tax Act* recognizes a “charitable foundation as a corporation or trust that is constituted and operated exclusively for charitable purposes, no part of the income of which is payable to, or is otherwise available for, the personal benefit of any proprietor, member, shareholder, trustee or settler thereof, and that is not a charitable organization” (ITA 149.1 (1)). Under the *Public Hospitals Act, 1990* section 32(4), a hospital foundation is defined to mean “a trust, corporation, or other organization, other than a hospital, that is a registered charity under section 149(1) of the *Income Tax Act (Canada)*”. Recognising hospital foundations as charitable foundations means they are viewed as ‘funding organizations’. Therefore, as a funding organization they do not need carry out the charitable activities themselves (Brouard, 2020), rather they can fund other charitable organizations (such as their associated hospital) that

actively conduct charitable activities. Thus it is important to understand the relationships between hospitals and their foundations as non-profit, registered charities.

Hospital foundations support hospitals with financial resources to buy capital equipment and fund research. Financial support from hospital foundations helps hospitals overcome funding restrictions from the provincial government. For example, Ontario hospitals received a 0% increase in base operating funding from the provincial government between 2012-13 to 2015-16 (Ontario Hospital Association, 2019). The health-related effects of COVID-19 have put increased pressure on hospitals and their foundations as one way to deal with financial challenges resulting from the pandemic. A preliminary estimate of the net deficit for the combined hospital sector during COVID-19 for the two months of April and May in 2020 was \$500 million (Ontario Hospital Association, 2020). The identified net deficit may lead to potential cash flow difficulties for hospitals, which they may seek to address, in part, through their relationships with their foundations.

1.2 Source of Research Problem

This research addresses two distinct research problems. Financial constraints in the health care sector, arising in part from changing demographics, and increasingly fragmented health care delivery structures, represents a practical financial problem. A lack of literature explaining relationships between hospitals and hospital foundations from a Canadian context represents a second research problem. These problems highlight the importance of studying relationships between hospitals and hospital foundations in Canada. Elements of each of these problems are addressed in turn.

1.2.1 Financial Constraints

Non-profit hospitals face financial constraints. They are vulnerable to arbitrary changes in the flow of resources and institutional pressures through their reliance on government funding, private donations, and fees (Verbruggen, Christiaens & Milis, 2011). Further the need for unexpected purchases or replacement of expensive equipment (Bali & Bélanger, 2018) poses additional financial challenges. These financial challenges are exacerbated by demographic changes. For example, the baby boomer generation, aged 55 to 74, accounts for the largest per capita health care costs (Conference Board of Canada, 2020). Further, this generation is expected to make up 25% of the population in Canada by 2040 (Conference Board of Canada, 2020). Thus it is projected that Canada's aging population will add nearly 1.1% per year to health care costs from 2019-20 until 2030-31 (Conference Board of Canada, 2020), increasing total health care spending (Conference Board of Canada, 2020) and putting additional pressure on hospitals and their foundations.

Financial constraints and uncertainty also arise from Ontario's recently introduced single health care agency, Ontario Health, which is mandated to deliver health care services in the province. Some authors suggest more patient-centered and integrated care approaches, such as Ontario Health, may help to manage the challenges associated with changing demographics. The intent of recent changes to the delivery of health care services is for health care providers such as hospitals, doctors, and community care providers to be more coordinated (Pilon & Brouard, 2020b). However, increased integration through Ontario Health Teams creates challenges in maintaining clear lines of accountability. Uncertainty arises with blurred lines of accountability

in how funds are to be distributed between organizations that form a part of each Ontario Health Team (Pilon & Brouard, 2020c).

Therefore, even with the implementation of Ontario Health Teams, hospitals will still be facing financial constraints, and will benefit from maintaining relationships with their hospital foundations. Understanding the relationship between hospitals and their foundations helps clarify the roles of each in addressing these challenges, and may suggest ways in which the underlying hospital funding system may need to be revised to address these funding, demographic and integration challenges in a more systematic manner. Having reviewed the first research problem, now the second research problem is taken into consideration that is linked to the lack of academic literature about the relationships between hospitals and their foundations.

1.2.2 Relationships between Hospitals and their Foundations

Challenges arise from a lack of literature on the relationships between hospitals and their foundations in a Canadian context. Most research on relationships between hospitals and their foundations is situated in a U.S. context (see Appendix A). Hospitals rely on a network of relationships to operate effectively to ensure their objectives are met (Pilon & Brouard, 2020c). Creating relationships in health care helps encourage more patient-centered and integrated care, which should increase the ability of organizations within health care to perform more efficiently and effectively (Palumbo, Manesh, Pellegrini, & Flamini, 2020). Engaging in relationships within the health care system allows for more integrated care by improving accessibility, affordability and quality of health care (Valentijn, Boesveld, Van Der Klauw, Ruwaard, Strujis, Molema, Bruijnzeels, & Vrijhoef, 2015). Existing research on the relationships between

hospitals and their foundations has looked at the collaborative nature of relationships and factors influencing fund-raising success. It is beneficial for organizations to establish a relationship that is collaborative. A benefit recognized in the literature on collaborative non-profit relationships is that they create alignment between resources and the needs of both foundations and the non-profit organization receiving a grant from a foundation (Fairfield & Wing, 2008). Additional research examines the nature of factors that impact hospital foundations' ability to generate funds. Pink & Leatt (1991) demonstrated the characteristics of a hospital itself impacts the ability of an associated hospital foundation to earn revenues, demonstrating that both the hospital and hospital foundations are important in raising funds.

Fundraising has been a specific aspect of a hospital foundation's activities that has been examined in the literature. Marlin et al. (2009) find non-profit organizations which put greater attention on fundraising activities had higher financial performance. Erwin (2013) enhanced the understanding of the fundraising performance of hospitals and hospital foundations through identifying organizational clusters based on fundraising productivity, efficiency, and complexity. Research by Erwin & Landry (2015) narrowed the focus by examining public support as a key fundraising performance indicator, in turn suggesting fundraising expense as a significant predictor of public support. The findings in Erwin & Landry (2015) demonstrate that hospital foundations benefit from being aware of their financial information.

The role of hospital foundations has been demonstrated through research that has examined the performance of hospital foundations. Research examining hospital foundations in the U.S. has recognized that hospitals may manage fundraising more effectively through a foundation (Marlin

et al., 2013). However, when looking at fundraising performance in the U.S., Erwin & Landry (2015) found no significant difference between hospitals with a dedicated foundation versus those with an internal fund-raising department. Erwin & Landry's (2015) research was conducted in a U.S. environment. Differences in the systems hospitals operate in mean research based on U.S. hospitals and foundations may not be applicable to the Canadian context. Prior research conducted in Canada focused on identifying environmental and organizational factors that influence hospital, but not hospital foundation, financial performance (Lutchmie, 1996). The present research takes a specific focus on a hospital and its hospital foundations in Canada to better understand the financial relationships existing among them. Further justification for studying both a hospital and its foundations simultaneously is based upon Pilon's (2019) research which identifies stakeholder relationships, such as those between a hospital and its foundations, as a component of the accountability system between them.

1.3 Managerial problem and justification

So far the two main problems have been considered that will be addressed by this research. Moving forward, these main problems are expanded by considering the impacts they might have on the management of the hospital-foundation relationship. Fragmentation within the Ontario health care system creates challenges for the management of different health organizations. Entering inter-organizational relationships helps health care organizations create a patient-centered environment and ensure a continuum of care (Palumbo et al., 2020). There are various factors management may take into consideration when entering inter-organizational relationships. Oliver (1990) identified necessity, asymmetry, reciprocity, efficiency, stability, and legitimacy as factors motivating the development of inter-organizational relationships.

External factors such as enforceable laws or mandates, external threats or constraints, inter-participant compatibility, relationship costs and benefits, environmental uncertainty and risk, and institutional disapproval or indifference also influence the formation of inter-organizational relationships (Oliver, 1990). Organizations collaborate in inter-organizational relationships to manage environmental constraints and the need to secure resources (Sowa, 2009). Furthermore, effective inter-organizational networking may be a key strategy to maintain flexibility and responsiveness (Rossignoli & Ricciardi, 2015).

The creation of hospital foundations can be seen as an example of the formation of an inter-organizational relationship. Hospital foundations in Ontario were in part a strategic response by hospitals to cope with changes in funding from the Ontario government (Pink & Leatt, 1991) which resulted in resource scarcity. Resource scarcity in Ontario hospitals results from factors such as inflationary costs due to labour agreements, and rising costs associated with supplies, medications, and equipment (Ontario Hospital Association, 2019) which have not been matched by increases in base funding. Pre-existing funding pressures have been exacerbated by the COVID-19 pandemic requiring additional staffing resources, equipment, and infrastructure (Ontario Hospital Association, 2020). Entering inter-organizational relationships, such as with hospital foundations, allows hospitals to obtain resources considered essential to continue delivering core health care services amid ongoing funding challenges.

Inter-organizational relationships between hospitals and hospital foundations are also important in responding to institutional pressures set out by external stakeholders. For example, non-profit hospitals can face institutional restrictions which limit their technical and managerial activities,

such as administration and obtaining resources (Krishnan & Yetman, 2011). Requiring hospitals to submit signed accountability agreements, including plans for balancing their budgets (Reeleder, Goel, Singer, & Martin, 2006) (as introduced in Ontario in 2005) is an example of such an institutional restriction. Inter-organizational relationships between hospitals and their foundations can help to address these restrictions.

1.4 Research Objective

The primary objective in this research is to gain a better understanding of the inter-organizational relationships between hospitals and hospital foundations. The focus on hospitals and hospital foundations is due to their significance within the non-profit sector and the relative lack of research to date which focuses on these relationships. In particular, the focus in this research is on the financial relationships between hospitals and their hospital foundations and lines accountability between them.

According to Sloan (2009), accountability refers to an organization's ability to meet certain requirements within a set of established boundaries. Accountability is important for non-profit organizations to maintain the public support that allows them to fulfil their mission. Prior research has seen hospital foundations as accountable to hospitals for assisting in achieving fundraising goals (Pilon, 2019). Reporting, when done well, helps foster accountability to build the trust needed to help non-profit organizations continue operating (Hyndman, 2017). One way to demonstrate accountability is through disclosures by non-profit organizations (Hu, Zhu, & Kong, 2020). One definition of disclosure is that it is the "perception that relevant information is received in a timely manner" (Schnackenberg & Tomlinson, 2014, p. 1792). Non-profit

organizations, such as hospitals, which report to multiple stakeholders encounter disclosure challenges as they seek to mitigate information asymmetry with stakeholders through their disclosures (Hu et al., 2020). Disclosures are a governance mechanism recognized by D'Amour, Goulet, Labadie, San Martin-Rodriguez, Pineault (2008) as a practice enhancing inter-organizational relationships.

1.5 Research Questions (general and specific)

A research question is an explicit statement of what the researcher wants to know about a subject (Bryman, Ball, & Harley, 2011). A clear research question offers guidance on conducting a relevant literature review, as well as designing a research approach and methodology. The research question for this thesis arises from factors impacting hospitals that increase the importance of their relationships with their foundations, as described in the sections above. Furthermore, the lack of existing research on these relationships in a Canadian context motivates this research.

The general research question is:

What characterizes the relationships between hospitals and hospital foundations in Canada?

While strategic, governance, operational, and financial dimensions of these relationships could be considered, the specific research question addressed by this research focuses on the financial dimension, as outlined in Table 1-1. The specific research question is:

How is the financial relationship between a hospital and its foundations depicted in their financial statements?

The balance of this thesis proceeds as follows:

Chapter 2 establishes the importance of studying hospitals and their foundations as a distinct segment within the non-profit sector through a literature review and explanation of the core concepts of stakeholders, accountability and relationships.

Chapter 3 describes the research methodology. A qualitative research approach is chosen and the specific research strategy utilized is a case study. The case study hospital is the Children's Hospital of Eastern Ontario (CHEO) and its affiliated group of foundations, including the Children's Hospital of Eastern Ontario Foundation (CHEO Foundation), Children's Hospital of Eastern Ontario Research Institute (CHEO Research Institute), and Roger Neilson House (RNH) (hereafter the CHEO group of entities).

Chapter 4 documents the financial relationships between CHEO and its affiliated group of foundations. This chapter describes the structure of each entity along with the nature of exchanges of funds between the CHEO group of entities.

Chapter 5 analyzes and discusses the findings documented in Chapter 4 to illustrate the close financial relationships between the CHEO group of entities. Specifically, Chapter 5 highlights collaboration, interdependence and dependence, and mutually rewarding outcomes as characteristics of the inter-organizational relationships between the group of entities.

Chapter 6 concludes, recognizes limitations with the research and reflects on opportunities for future research into the subject. Furthermore, this chapter recaps the theoretical and practical implications of this research.

Table 1-1. One Page Summary of the Research

Research Theme	Non-profit accountability and financial relationships
Source of Problem	<p><u>Practical:</u> Various factors are putting increased pressure on hospitals, such as funding constraints, aging population, changing delivery of health care services. Increasing the importance of hospital foundations.</p> <p><u>Theoretical:</u> Lack of current research looking at hospitals as non-profit organizations and limited studies in a Canadian context</p>
Managerial Problem	How do hospitals and hospital foundations work together?
Research Objective	To gain a better understanding of the relationships between hospital and hospital foundations
Research Questions	<p><u>General:</u> What characterizes the relationships between hospitals and hospital in Canada?</p> <p><u>Specific:</u> How is the financial relationship between a hospital and its foundations depicted in their financial statements?</p>
Research Approach	Interpretive, Qualitative, Descriptive
Research Strategy	Case Study
Research Tactics	Archival data
Organization selection	Typical sampling for the Children's Hospital of Eastern Ontario (CHEO) group of entities: <ul style="list-style-type: none"> - Hospital: CHEO - Foundations: CHEO Foundation, CHEO Research Institute, Roger Neilson House

CHAPTER 2: CONCEPTUAL FOUNDATIONS

Two core concepts at the heart of this research are stakeholders and relationships. Understanding the connection between hospitals and hospital foundations requires clarification around the concept of a stakeholder. The core concept of relationships specifically focuses on financial relationships. However, an overview of other relationship dimensions is also provided. The theoretical framework follows explanations of the key concepts. A theoretical framework sets out a map for further qualitative exploration because it directs attention to a particular phenomenon of interest (Garvey & Jones, 2021). This research utilizes contingency theory as the applied theoretical framework.

2.1 Hospital Context in Ontario

In Ontario, health care is provided by a mix of organizations within the public, non-profit and private sectors (Pilon & Brouard, 2020a). Politics impact the resources allocated to health care in Ontario, reflective of the reality that: “the health care system should not simply be seen as a large mechanism with various interlocking cogs and gears, but also as a battlefield of competing interests” (Fierlbeck, 2011, p.xi). How much funding is allocated to health care depends to some extent on the priorities and values of voters in the province, as reflected in the government which they elect. The budget of the provincial government allocates funding to the Ministry of Health and Long-Term Care (MOHLTC), which then allocates the available funding through Ontario Health to various health services. Government funding represents the largest source of hospital funding in Ontario (Pilon, 2019). Each hospital receives funding from the Ministry and enters into an accountability agreement with the province (Pilon, 2019). As established previously, in

recent years this funding has been inadequate to keep up with increasing health care costs, increasing demand for hospital services, and new infrastructure needs. Funding related to infrastructure is needed for capital investments, in buildings, hospital information systems, and clinical equipment (OHA, 2018).

The Ontario government is looking to implement changes to the health care system, while simultaneously working to eliminate the budget deficit by 2023-24 (OHA, 2019). To understand the implications of these tensions, it is important to consider the relationships between hospitals and their stakeholders, including the government as well as their foundations.

2.2 Stakeholders

This research adopts Freeman's (1984, p. 46) definition of a stakeholder as "any group or individual who can affect or is affected by the achievement of the organization's objectives".

Entities considered as stakeholders can include persons, groups, neighbourhoods, organizations, institutions, societies, and the natural environment (Mitchell, Agile, & Wood, 1997).

Stakeholders of charitable organizations may be identified as individuals with a common interest in furthering the objectives of the charity (Hyndman & McDonnell, 2009). Other stakeholder definitions demonstrate organizations are required to address a set of stakeholder expectations, thereby impacting choices made by an organization's management (Rowley, 1997). However, as organizations are not dependent on all stakeholders equally, it is necessary to evaluate their level of influence. Statutory requirements and the specific mission of the non-profit organization represent two factors which influence the priority accorded various stakeholders for non-profit organizations (Manetti & Toccafondi, 2014).

The role of various stakeholders in non-profit organizations can be seen through the concept of stakeholder relationships. Stakeholder relationships have been identified as one aspect of the accountability framework between an organization and its stakeholders (Pilon, 2019). An important aspect of the stakeholder relationship between an organization (the accountee) and its stakeholders (the accountant) is facilitating communication and negotiations between them (Pilon, 2019). Stakeholder relationships are ideally built on cooperative mechanisms and a network of mutual responsibility (Manetti & Toccafondi, 2014).

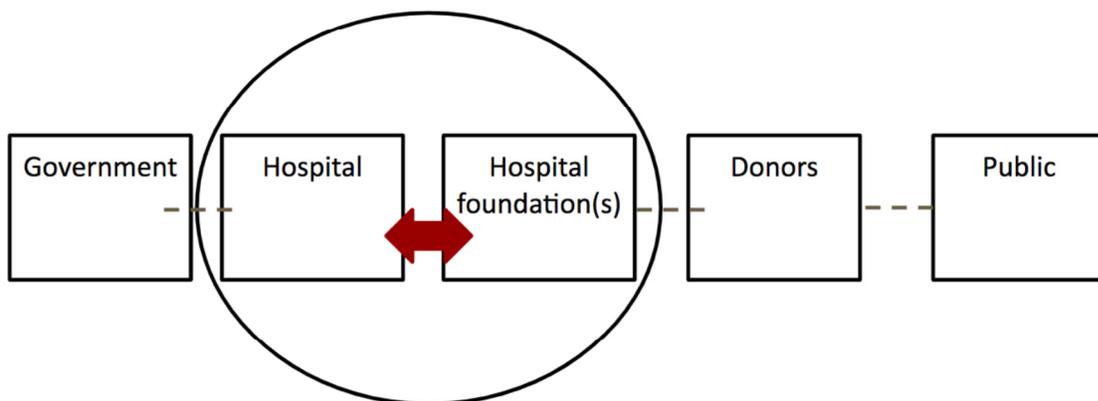
There is a difference between downward and upward stakeholders (Hu et al., 2020). Upward stakeholders include regulators, governing bodies, and funders. Downward stakeholders are individuals or groups such as staff, beneficiaries, and the public. Non-profit organizations are more inclined to disclose information to upward stakeholders due to the ability of these upward stakeholders to provide critical resources, including funding, information, and legality (Hu et al., 2020). On the other hand, it is also beneficial for non-profit organizations to communicate with downward stakeholders as they represent those directly responsible for operating non-profit organizations or those receiving the services of non-profit organizations (Hu et al., 2020).

The Ontario Hospital Association's Guide to Good Governance report identified hospital stakeholders as including members on the hospital's board of directors, the Ministry of Health and Long-Term Care, community partners, community members, Local Health Integrated Networks [now Ontario Health], donors, contracting partners, patients and families, professional staff, staff, academic partners, and volunteers (Ontario Hospital Association, 2015). Among the

various hospital stakeholders, particular attention in this research is accorded the government, hospital foundations, donors, and the public, as displayed in Figure 2-1.

Emphasis is put on these stakeholders since they have a more significant interest in the information provided by the financial statements of hospitals. The main information of foundations is identified to flow among foundations and government, foundations and donors, foundations and grantees, foundations and the public (Brouard & Glass, 2017). As indicated with a circle in Figure 2-1, from among the different stakeholders the focus in this research is on the hospital and hospital foundations. Hospital foundations are viewed as stakeholders since they provide necessary funds for capital purchases (Pilon, 2020). In addition, hospital foundations hold legitimacy attributed from their donor base (Pilon, 2020). The legitimacy of hospital foundations is demonstrated from donors who provide funds to hospital foundations with the understanding that it will benefit the affiliated hospital.

Figure 2-1. Hospital and Hospital Foundation Stakeholders



Understanding and managing stakeholder relationships supports the accomplishment of organizational objectives, demonstrating stakeholders influence how effectively non-profit organizations operate (Pilon, 2019). Stakeholders are important because, without their contributions, non-profit organizations' ability to gain support, staff, and power is affected (Ospina, Diaz, & O'Sullivan, 2002). Stakeholders have an impact on the information presented in financial statements through their influence on the strategy, capacity, governance, and organizational culture factors which have previously been found to impact financial disclosures. (Saxton & Guo, 2011; Hu et al., 2020). Having identified the critical stakeholders of hospitals and hospital foundations, the next core concept examines the relationship between them.

2.3 Relationships

Relationships are defined as “transactions, flows, and linkages that occur among or between an organization and one or more organizations in its environment” (Oliver, 1990, p. 241).

Establishing relationships is vital to organizations because they operate as parts of wider networks and social ecosystems (Rossignoli & Ricciardi, 2015). Table 2-1 shows that relationships develop at various levels, ranging from generic to specific (Fairfield & Wing, 2008). This research focuses on the most general level of relationship, that occurring between two entities.

Prior research has identified a range of factors affecting the relationship between two entities. These factors include: interdependence and dependence, power dynamics, and negotiating for mutually rewarding outcomes. Interdependence and dependence have been found to impact an organization's need for funds, perceptions of legitimacy, and ability to deliver a public benefit

(Fairfield & Wing, 2008). The degree of interdependence and dependence in a relationship may result in a loss of autonomy for the organizations in the inter-organizational relationship. Such a loss of autonomy can lead to one organization in the relationship having greater dominance, therefore creating an unequal partnership (Proulx, Hager, & Klein, 2014). Managing autonomy is important in limiting goal displacement, which arises when organizations move away from their mission (Chengxin & Mirae, 2021). Salancik & Pfeffer (1977, p. 3) define the power dynamic as “the ability to bring about desired outcomes”. Within a relationship power can shift over time due to the dynamic nature of inter-organizational relationships. In relationships between two entities, it is also important to understand how negotiations allow resources to be shared between organizations.

Table 2-1. Levels of Relationship and Factors

Level of relationship	Factors
Two entities	Interdependence and dependence
	Power dynamics
	Negotiating for mutually rewarding outcomes
Organizational and interpersonal roles	Psychological contracts
	Principals versus agents
Person to person	Quality of discourse
	Trust

Source: Fairfield & Wing (2008) (In grey, level and dimensions examined in the study.)

Relationships between organizations may be influenced by their social context and social structure, indicating multiplexity (Shipilov, Gulati, Kilduff, Li, & Tsai, 2014). Multiplexity occurs when “two organizations are connected by more than one type of relationship” (Liu, Beacom, Frank, Nomachi, Vasquez, & Galloway-Gilliam, 2019, p.303). Though hospitals pursue multiple relationships, the focus of this research is on relationships between hospitals and hospital foundations. These relationships are characterized by efforts to bring together two

partners with the joint intention to promote social good (Fairfield & Wing, 2008). Hospitals and hospital foundations connect both through raising funds for the hospital and also negotiating types of capital purchases. Important dimensions which characterize the relationships between hospitals and their foundations include strategic, operational, governance and financial dimensions. I address each of these dimensions briefly before turning to focus on the financial dimension in more depth.

Strategic Dimension of Relationships

The strategic relationship dimension is defined as “a systematic way of positioning an institution with stakeholders in its environment to create value that differentiates it from competitors and leads to a sustainable advantage” (Alfred, 2006, p. 6). Elements of the strategic relationship dimension include the mission, vision, and strategic plan, as well as actions taken to fulfil the organization’s vision. Organizations may adjust their vision to reflect a changing operating environment, making it necessary to adopt strategies to align with their vision. The strategic dimension of inter-organizational relationships helps ensure shared goals are met, allowing for successful collaborations (Karam, Brault, Van Durme & Macq, 2018; D’Amour et al., 2008) in which mutually rewarding outcomes are reached.

Having a vision and establishing a strategic plan helps manage the multiple goals and objectives set out by a diverse range of stakeholders. Attaining an organization’s mission is essential for stakeholders to perceive a non-profit organization as effective (Balser & McClusky, 2005). An additional benefit of a clear mission is that it motivates employees through the linking individual and collective goals, which creates stronger performance (Weiss & Piderit, 1999). Taken

together these contribute to organizational success by demonstrating to stakeholders how resources received through external support will be utilized (Min et al., 2019).

Operational Dimension of Relationships

Operations are defined as “all the activities directly related to producing goods or providing services” (Stevenson & Hojati, 2011, p.6). As a basic function of an organization, operations interact with the other functions such as finance and marketing to perform activities necessary for the organization to achieve its goals (Stevenson & Hojati, 2011). In hospitals, operational inputs include patients, doctors, nurses, buildings, medical supplies, equipment, and laboratories, among others. Operational processes within hospitals include examination, surgery, monitoring medication, therapy, etc. The operational relationship dimension is important because operational activities may need to be adapted to allow organizations to attain their mission. This is more complicated in an inter-organizational relationship. Understanding the operational activities an organization performs may reveal interdependencies with other organizations in the inter-organizational relationship. These may require organizations to adapt their operational activities.

The operational dimension involves the number of employees and types of expenses and revenues. Scherer (2017) identified a strong link between operational structure and actions, demonstrated through staff roles and desired competencies. Both structure and action work together to develop the collective identity of an organization. In the context of hospitals and their foundations, the relative number of employees and types of revenues and expenses can influence the inter-organizational relationship. In turn this may influence any negotiations between

hospitals and hospitals foundations around the types of capital purchases for which foundations should fundraise.

Governance Dimension of Relationships

Hyndman & McDonnell (2009) view governance as the systems by which organizations are directed, controlled, and held accountable. Governance mechanisms can be categorized as either external or internal mechanisms. Brouard & Pilon (2020) recognized external governance mechanisms may include shareholders/members, disclosure requirements, legal system, and employees. Brouard & Pilon (2020) noted that internal governance mechanisms can include the board of directors, management systems, ownership structure, advisory board, and audit committee. In non-profit organizations the governance dimension is important because the governance mechanisms which are implemented can assist non-profit organizations in managing the accountability demands of different stakeholders and in appearing effective (Brouard & Pilon, 2020).

In the context of hospitals and hospital foundations, governance can be viewed as the set of relationships between stakeholders that ensures the organization effectively attains its objectives (Hyndman & McDonnell, 2009). Effectively implemented governance mechanisms support external oversight and reduce the likelihood donor funds may be misappropriated. Governance mechanisms also may allow organizations to manage the power dynamics in inter-organizational relationships to ensure the best interests of the organizations are met. This can be complicated in hospital/hospital foundation relationships as directors on the board of the hospital foundations may also sit on the hospital's board.

Financial Dimensions of Relationships

For this research the financial relationship is characterized as “the continuous flow of internal and external transactions and transfers” (Anheier, 2005, p. 269). Transactions can be an exchange in which both entities receive and give up value (Kieso, Weygandt, Warfield, Young, Wiecek, & McConomy, 2013). Additionally, transactions can be a transfer in one direction in which an entity incurs a liability or transfers an asset to another without directly receiving value in exchange (Kieso et al., 2013). Anheier (2005) distinguished three major activity blocks which can be used to distinguish between the inflow and outflow of transactions.

The three major activity blocks comprise capital outlays, revenue sources (with associated costs), and operating costs. Capital outlays represent transactions related to an organization’s net fixed assets, such as equipment and real estate. A non-profit organization’s ability to earn revenues through selling services or products represents its revenue sources. Furthermore, non-profits receive revenues through donations and grants. Operating costs differ from the costs associated with revenues because they are not directly tied to performing the organization’s activities but are still necessary to operate. Examples of operating costs are an organization’s spending on items such as wages and benefits. To be seen by donors (and other stakeholders) in a positive light it is important that non-profit organizations be financially healthy. Financial health supports the continued delivery of necessary services. Financial health is generally reflected in four major components of financial management: the balance sheet, the statement of revenues and expenditures, the cash flow statement, and the organization’s budget.

Establishing Inter-organizational relationships can be influenced by an organization's availability of financial resources by bringing awareness to relevant stakeholders (Palumbo et al., 2020). The financial relationship between hospitals and hospital foundations is complicated because of strict and complex reporting requirements for organizations operating in the health care environment (Anheier, 2005). Government grants also add to the complexity and time-consuming nature of financial reporting by grant recipients within the health care sector (Anheier, 2005).

The financial dimension of inter-organizational relationships between hospitals and their foundations can include items such as funds transferred, parking operations, loan agreements, amounts due to/from related parties, and restricted funds. Funds transferred between hospital foundations and their associated hospital can be used to cover operating costs, research projects, and capital contributions. These forms of financial support may assist non-profit organizations in fulfilling their missions (Fleming & De Vita, 2001). In the context of relationships between hospitals and hospital foundations, hospital foundations may look for innovative ways to generate revenues to support the hospital's mission through ancillary activities such as the operation of parking facilities (Blumberg, 2014). Loan agreements and amounts due from related parties represent additional ways hospital foundations may provide funds to hospitals to assist them in dealing with financial constraints. Funds contributed to a hospital foundation, yet restricted as part of an endowment, benefit a non-profit organization's financial performance and reflect a donors' decisions to provide significant support. Erwin & Landry (2015) determined that a hospital's endowment was positively associated with, and a significant predictor of, public support. These are all different mechanisms through which a hospital foundation is able to provide financial support to its affiliated hospital.

Table 2-2 presents an overview of the different dimensions – strategic, operational, governance and financial – which are relevant to inter-organizational relationships between hospitals and hospital foundations. The financial dimension in Table 2-2 is highlighted to indicate this dimension is the focus of this research.

Table 2-2. Dimensions of Relationships

	Hospital	Hospital Foundations
Strategic	Mission, Vision, Strategic plan	
Operational	Number of employees, Salaries, Locations of office, Types of revenues and expenses	
Governance	Board of directors, Committees, Number of board members	
Financial	Funds Transferred, Parking operations, Level of revenues and expenses, Related party transactions, Loan agreements	

Collaborative Relationships

A relationship can be classified as network, coordination, cooperation, or collaboration, with collaborative being the highest level of relationship (Huxham, 1996). Collaboration has been defined as “a process in which autonomous or semi-autonomous actors interact through formal and informal negotiation, jointly creating rules and structures governing their relationships and ways to act or decide on the issues that brought them together; it is a process involving shared norms and mutually beneficial interactions” (Thomson, Perry, & Miller, 2007, p. 25). The main difference compared to the other levels of relationships (network, coordination, cooperation) is that collaboration enhances the capacity of the other organization (Huxham, 1996). Enhancing the capacity of the other organization involves sharing risks, responsibilities, resources, and rewards, including through the financial dimension of the relationship. This enhanced capacity leads to growth opportunities for both partners (Huxham, 1996) in the relationship.

Organizations in inter-organizational relationships collaborate for a variety of reasons and to obtain a number of benefits. Reasons that encourage collaboration include uncertainty in the resource environment, external pressures to adhere to norms in their field, and a previous history of collaboration (Proulx et al., 2014). Chengxin & Mirae (2021) identify the benefits of collaboration as sharing resources, knowledge, expertise, and building reliable long-term networks. Additional benefits from collaboration include improved organizational survival, enhanced institutional legitimacy, and enhanced competitive advantage (Sowa, 2009).

Among inter-organizational relationships certain characteristics are associated with collaboration. Auschra (2018) noted having either a common goal or purpose fostered collaborative inter-organizational relationships. In health care, a shared common goal frequently involves establishing integrated and patient-centered care. A second characteristic fostering collaboration in inter-organizational relationships is the exchange of information, resources, activities, and capabilities (Auschra, 2018). Interdependence has also been identified as one way to understand the level of collaboration between organizations (Guo & Acar, 2005; Knutsen, 2017). At one end of the continuum of collaboration, interdependence is demonstrated through a one-time transaction, and the other end a full legal merger (Guo & Acar, 2005). Research such as Gulati et al. (2012) have viewed cooperation and coordination as two facets of inter-organizational collaboration; however, Castañer & Oliveira (2020) have distinguished collaboration as not just the sum of coordination and cooperation.

Table 2-3 identifies factors identified in previous research as important to the effectiveness of collaboration in inter-organizational relationships, or as contributing to the lowering of barriers

to collaboration. These factors may impact the level of collaboration and the closeness of the relationship. Inter-professional relationships are defined as “two or more individuals who have specific roles, perform interdependent tasks, are adaptable, and share a common goal” (Karam et al., 2018, p. 71). As shown in Table 2-3, formalization is a specific dimension associated only with inter-organizational relationships rather than inter-professional relationships.

Karam et al. (2018) recognized that communication is crucial in linking the factors of trust, power, and mutual acquaintanceship in relationships. Communication needs to be regular, active, reciprocal, and open to link these factors effectively (Karam et al., 2018). Effective communication in collaborative relationships supports rewarding outcomes for both organizations. Furthermore, organizations benefit from shared goals fostered through collaboration because it enables them to more closely align their philosophies and values in the relationship (Karam et al., 2018).

Hospitals and hospital foundations have been found to exhibit collaborative relationships (Pilon, 2019). In such relationships between hospitals and their foundations, collaboration is demonstrated by the alignment of most of the organizations’ goals, such as working to achieve fundraising goals through raising and dispersing funds (Pilon, 2019). Benefits to collaborative relationships with their foundations provide hospitals the ability to utilize resources more efficiently, facilitate access to other provider’s information and clinical expertise and pursue common goals (Mascia et al., 2012). Given this past research, the relationship between the hospital and its foundations is expected to be a collaborative one.

Table 2-3. Factors for collaboration at different relationship levels

Level of Relationship	Factors
Inter-organizational	Trust
	Mutual acquaintanceship
	Power
	Shared goals
	Communication
	Formalization
Inter-professional	Trust
	Mutual acquaintanceship
	Power
	Communication
	Shared goals

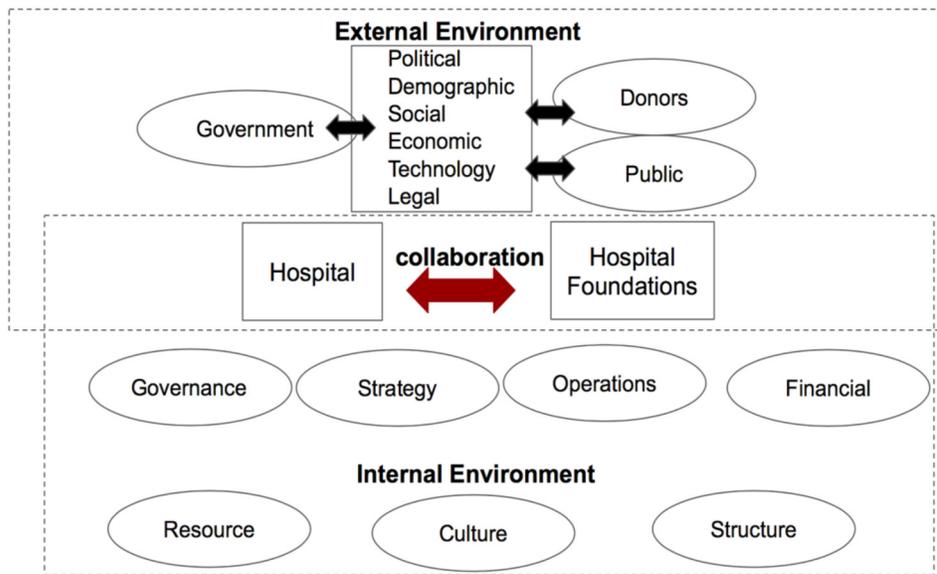
Source: Karam, Brault, Van Durme, & Macq (2018) (In grey, level examined in study.)

2.4 Contingency Theory

So far Chapter 2 has introduced stakeholders and relationships in the context of non-profit organizations in health care, specifically hospitals and hospital foundations. Levels of relationships, relationship dimensions, and factors characterizing collaborative relationships have been identified and described. We now turn to introducing the theoretical framework used in this research.

The theoretical framework driving this research is contingency theory. Luthans & Stewart (1977, p.183) described contingency theory as “identifying and developing functional relationships between environmental, management, and performance variables”. Structural contingency theory is applied in this research. Structural contingency theory (Donaldson, 2015) is where organizational structure considers multiple, simultaneous contingencies (Donaldson, 2015) to obtain high performance. Figure 2-2 identifies various contingencies in the external and internal environment consequential to the relationships between hospitals and hospital foundations.

Figure 2-2. Internal and External Environment of Hospitals and Hospital Foundations



External and internal environments are assessed because contingency theory predicts internal relations and structures are contingent on external conditions (Monge & Contractor, 2001) to ensure the internal environment fits appropriately with the external environment. A good fit is created when a business unit is organized appropriately to address contextual factors and enhance performance (Romero-Silva, Santos, & Hurtado, 2018). The consideration of both internal and external environments benefits an organization when it is selecting its structure as this provides an opportunity to reduce uncertainty within the operating environment (Monge & Contractor, 2001). Collaboration between hospitals and hospital foundations allows the fit between internal and external environment contingencies to be optimized to support performance. Through collaboration, organizations can gain access to resources and generate knowledge that contributes to the fit between internal and external environments.

Contingency theory reflects the view that organizations, like hospitals, are social subsystems. Luthans & Stewart (1977, p.184) recognized subsystems as “resource variables interrelated by various management policies, practices and techniques which interact with variables in the environmental suprasystem to achieve a set of goals or objectives”. Viewing hospitals as social subsystems acknowledges their need to continuously adapt to their environment, which contributes to attaining their goals (Gloede, Hammer, Ommen, Kowalski, Gro, & Pfaff, 2013). Contingency theory is also an appropriate theoretical foundation for this research because it acknowledges that both external and internal factors motivate the development of inter-organizational relationships (Palumbo et al., 2020). Healthcare organizations today face external factors including an aging population, limited financial resources, and the growing expectations of patients (Palumbo et al., 2020). Among the internal factors faced by healthcare organizations are requirements to meet patient needs by creating more integration among health organizations (Palumbo et al., 2020).

2.4.1 External Environment

The external environment entails everything related to an organization’s primary business and external to its physical boundaries (Allred, Hoffman, Fox, & Michel, 1994). The external variables that are the focus of this research are stakeholders’ influence and macro-environmental factors such as those cited by Luthans & Stewart (1977). The macro-environment is taken into consideration due to its role in decision making for hospitals (Kraus, Rauner, & Schwarz, 2010). Macro-environmental factors are general environmental variables that indirectly influence an organization as well as provide the context for more directly relevant factors (Luthans & Stewart, 1977). As illustrated in Figure 2-3 the macro-environment consists of political, demographic,

social, technological, legal, and economic factors. Other macro-environment factors such as ecological, and geophysical factors (Brouard, 2004) are not included in this research as these would typically have a lesser impact on non-profit organizations and their financial relationships. Macro-environmental factors can create shifts in the institutional relationships that non-profit organizations engage in (Fleming & De Vita, 2001). Shifts in institutional relationships can influence the non-profit organization's ability to fulfil their mission, including through financial management decisions (Kraus et al., 2010).

Various macro-environment factors influence the health care sector. Technology has allowed organizations to use their resources in new and effective ways, along with broadened funding sources for non-profit organizations (Fleming & De Vita, 2001). An example is the use of the internet to increase exposure of hospitals and hospital foundations, as well as to promote their fundraisers and raise funds online. Technological factors are particularly important during the pandemic as COVID many fundraising events have needed to be held virtually. Demographic and social factors are considered external macro-environment factors because of the impact they have on the composition of the community surrounding the health care organization, which in turn affects the needs and preferences of community members (Fleming & De Vita, 2001). Health care is also impacted by changes to political and economic factors. For example, the provincial government in Ontario is looking to eliminate the \$9 billion budget deficit by 2023-24, which may lead to restraints on funding for the health care sector (OHA, 2019). Additionally, the Ontario government's total health care expenditure for all sectors is the second lowest compared to all other provinces in Canada (OHA, 2019).

Figure 2-2 demonstrates that both the macro-environment and stakeholders influence each other. Stakeholders from the macro-environment can be influenced through changes in information requests and disclosures, along with changes in the accessibility of information (Brouard & Glass, 2017). Organizations consider the information needs of stakeholders when choosing the information to be provided by the organization (Hyndman & Connolly, 2013). The factors described in this section demonstrate the importance of taking external contingencies into consideration assessing inter-organizational relationships within the health care sector. For example, specific macro-environmental factors affecting hospitals and hospital foundations currently include:

- pressures from the COVID-19 pandemic, including estimated revenue losses of \$320 million during April and May 2020 (OHA, 2020);
- changes to demographics resulting in expectations that the number of Canadians over 65 years of age (6.2 million individuals in 2017) is expected to grow by 68% over the next 20 years (CIHI, 2017);
- changes to the health system in Ontario such as the replacement of 14 Local Health Integration Networks by a single agency, Ontario Health (Pilon & Brouard, 2020b).

The external factors need to be considered when addressing the research question: what characterizes the relationships between hospitals and hospital foundations in Canada? Factors specific to the internal environment also need to be considered.

2.4.2 Internal Environment

The internal environment is everything internal to the organization's physical boundaries (Allred et al., 1994). The internal environment factors impacting hospitals and hospital foundations exhibited in Figure 2-3 comprise resources, culture, and structure. The relationship dimensions of governance, strategy, operations, and financial matters (discussed previously in Section 2.2) are also included in the internal environment.

Resources, culture, and structure are included in the internal environment because of the interrelatedness between these factors (Brouard, 2004). Resources are defined by Yarbrough & Powers (2006, p. 47) as “assets that belong to the organization including brand names, knowledge, skilled labour, trade relationships, equipment, and efficiencies gained through knowledge and capital”. Health care resources may include patient capacity, capital equipment, scheduling systems, billing systems, and clinical staff (Yarbrough & Powers, 2006). Resources support an organization’s ability to further its mission and attract strong leadership (Fleming & De Vita, 2001), but they are also associated with an organization’s structure and culture. D’Amour et al. (2008) observed that organizational structure and culture (including leadership and shared goals), have an impact on collaborations in inter-organizational relationships.

The availability of resources, particularly financial resources, is an important consideration within the internal environment of hospitals and hospital foundations. This importance arises because the availability of financial resources affects the organization’s recruitment of human resources and acquisition of physical resources (Fleming & De Vita, 2001). Hospitals have continued to adapt to pressures from the external environment by creating change internally, for example by working to shorten hospital stays and reduce the need for hospitalizations (OHA, 2020). Specific examples of internal environment factors impacting hospitals and hospital foundations currently include:

- Pressure from lack of resources, for example hospitals in Ontario face a low number of beds per capita not reflective of demographic changes, thereby impacting hospital capacity (OHA, 2020);

- Commitments for compensation for hospital workforce, which accounts for 60% of hospital budgets (CIHI, 2011);
- Ensuring diverse boards that are able represent various stakeholder needs, as appropriate to each type of hospital (e.g. general, convalescent, active treatment teaching and rehabilitation hospitals);
- Efforts to create more efficient patient care, for example through innovative quality and operational improvement efforts (OHA, 2020) such as the introduction of integrated digital health records.

The conceptual foundations for examining the inter-organizational relationships between hospitals and their foundations are presented in this chapter. Concepts related to stakeholders, relationships, collaborations, and contingency theory are outlined. The complex interplay between these concepts, as presented in Figure 2-2, indicates relationships between hospitals and their foundations need to be studied using an approach able to capture the complexities and nuances in these relationships. Chapter 3 describes the research approach.

CHAPTER 3: RESEARCH METHODOLOGY

This chapter presents details of the research methodology. The research question helps guide the research approach taken, which is interpretive, qualitative, and descriptive. Before further detailing the research approach, the underlying philosophical perspective aligning with an interpretivist epistemology is distinguished. Once the research strategy is determined as a case study, the appropriate data collection methods used to gather the data are described. Data is collected using archival data through the financial statements of the hospital and hospital foundations. In addition, the information provided in the annual reports and T3010 registered charity information returns submitted to the Canada Revenue Agency are used to complement the financial statements.

3.1 Research Approach

Developing an epistemological position is critical in how knowledge of reality is gained, impacting the research process (Bryman et al., 2011). The epistemological position taken for this research is interpretive. An interpretivist epistemology assumes that access to reality is only through social constructions such as language, consciousness, shared meanings, and instruments (Myers, 2013). There is more focus on understanding the context of a phenomenon with an interpretivist epistemology (Myers, 2013). An interpretivist epistemology requires gaining an understanding of the social context influencing the financial relationships between hospitals and hospital foundations. This understanding is developed through taking a qualitative research approach.

Qualitative research contributes towards developing a greater understanding of the context in which decisions and actions occur. Qualitative research is undertaken through methods of data collection that provide a record of what people have said (Myers, 2013). When depicting the financial relationships between hospitals and their foundations, paying careful attention to context creates opportunities to understand decision-making by hospitals and hospital foundations. The context surrounding the financial relationships between hospitals and hospital foundations is described in this research through detail that reflects both the internal and external environments. A qualitative approach focuses on interpretation and understanding rather than explanation and testing of a hypothesis (Bryman et al., 2011). Qualitative research is appropriate because the research question looks to gain an understanding rather than provide an explanation for the financial relationships between hospitals and hospital foundations.

In addition to a qualitative research approach, the research is also descriptive. Descriptive research can be used to provide a detailed account of a phenomenon such as a social setting or a community (Salkind, 2007). In this research, the phenomenon being examined is the relationship that occurs between hospitals and hospital foundations. Using a descriptive approach within qualitative research requires all elements influential to the phenomenon to be captured (Sandelowski, 2000). A descriptive approach contributes to understanding the meanings and intentions behind a phenomenon (Myers, 2013). In addition, describing the financial relationships between hospitals and hospital foundations in the context of their internal and external environments contributes to understanding how the hospitals and hospital foundations view their relationships.

Compared to an exploratory or explanatory approach, a descriptive approach is suitable because this research is not looking to explain or confirm a relationship between independent and dependent variables (Thomlinson, 2001). The relationship between hospitals and hospital foundations is described through the financial dimensions identified. Previous research has focused more on one aspect of the financial relationships between hospitals and their foundations, such as hospital foundation revenue, or fundraising. This research focuses on the overall financial relationship between a hospital and its foundations. A descriptive approach is appropriate due to limited literature on such relationships in a Canadian context, as documented previously. This research provides details of the relationships between a hospital and its hospital foundations to understand how they interact and impact each other.

3.2 Research Strategy: Case Study

To describe the relationship between hospitals and hospital foundations the research strategy adopted is a case study. A case study is defined as a “qualitative approach in which the investigator explores a bounded system (case) or multiple bounded cases (cases) over time through detailed, in-depth data collection involving multiple sources of information and reports a case description and case-bounded themes” (Creswell, Hanson, Clark, & Morales, 2007, p. 245). Among the various case study definitions, there is a shared understanding that a case study involves the study of a particular case or number of cases (Tight, 2017). Additionally, a case will be complex and bounded, studied in its context, and analyzed holistically (Tight, 2017).

There are three different types of case studies that Stake (1995) identified, classified by the intent of the case analysis. Firstly, an intrinsic case focuses on a better understanding of a particular case that represents an unusual or unique situation (Creswell et al., 2007). Secondly, there is an instrumental case where a single case is selected to learn about an issue of concern (Creswell et al., 2007). Lastly, there is a collective case, where multiple cases are chosen to learn about a particular phenomenon (Creswell et al., 2007). A collective case study is used for this research to learn more about the relationships between hospitals and hospital foundations. Each of the CHEO group of entities represents a case. The reason for viewing each organization as a case is because foundations are separate legal entities from their hospitals (Whitaker & Shushelski, 1997).

A case study is suitable when looking to understand the “how” or “why” behind the making of certain business decisions or how and why a business process works the way it does (Myers, 2013). A defining feature of a case is that a contemporary real-life situation is being studied (Myers, 2013). Hospitals are particularly impacted by COVID-19 and other recent changes within the health sector. These factors establish a contemporary context that impacts the relationships between hospitals and their hospital foundations and that is worthy of study. Evidence of COVID-19 having a significant impact on hospitals and hospital foundations is addressed in the notes of the financial statements of hospitals and hospital foundations. Case studies also offer the opportunity for more in-depth and detailed observations of a specific case, allowing more insight into the phenomenon being examined, in this case the relationship between a hospital and its foundations. As a result, a case study provides the detail needed for insights into context and social behaviour in a particular setting (Bryman et al., 2011). A case

study's focus on context and social behaviour connects it to descriptive and qualitative research approaches, where rich detail is usually provided.

When selecting cases for this research, it is acknowledged that in Ontario, as of 2019, there are 141 hospitals (Ontario Hospital Association, 2019). The hospitals in the Ottawa region are shown in Table 3-1. The first four are the main general hospitals, while the following are recognized as specialized hospitals. COVID-19 impacted the hospitals through their adopting COVID-19 protocols for inpatient admission, personal protective equipment, COVID-19 health human resources, and access/assessment centres. The hospitals identified in Ottawa represent the broader population from which the selected cases of a hospital and its foundations were chosen.

Purposive sampling is used to select the cases for this research, targeting the Ottawa Region and the Children's Hospital of Eastern Ontario (CHEO). The reason for choosing purposive sampling is that the selection of cases is chosen strategically to ensure relevance to the research question (Bryman et al., 2011). Focus on hospitals and their foundations in the Ottawa region is influenced by practicality due to proximity and convenience, thereby offering greater opportunity to gain access to necessary information.

The purposive form of case selection is typically seen in a case study. The particular case selected is usually one that exemplifies a dimension of interest (Seawright & Gerring, 2008). CHEO demonstrates a typical case where the case is chosen because it exemplifies a dimension of interest (Bryman et al., 2011), in this case the relationship between hospitals and hospital foundations. CHEO exemplifies a relationship between hospitals and hospital foundations

because of extensive reliance on the relationships between the CHEO group entities to meet their unique patient needs.

Table 3-1. List of Hospitals in Ottawa

Hospital	City	Hospital Type	Funding Category*									
			<u>AM</u>	<u>AT</u>	<u>CR</u>	<u>GR</u>	<u>SR</u>	<u>MH</u>	<u>I9</u>	<u>P5</u>	<u>S9</u>	<u>C9</u>
The Ottawa Hospital	Ottawa	Teaching	X	X			X	X	X	X	X	X
Children's Hospital of Eastern Ontario (CHEO)	Ottawa	Specialty Child	X	X						X	X	X
Hôpital Montfort	Ottawa	Large Community	X	X		X		X	X	X	X	
Queensway Carleton Hospital	Ottawa	Large Community	X	X		X		X	X	X	X	X
Royal Ottawa Mental Health Centre	Ottawa	Specialty Mental Health	X	X					X	X	X	X
University of Ottawa Heart Institute	Ottawa	Teaching	X	X					X	X	X	
Bruyère Continuing Care	Ottawa	Chronic/ Rehabilitation			X	X			X	X	X	

Hospital Type

Source: Government of Ontario, Ministry of Health; Ministry of Long-Term Care- Health Data Branch Web Portal (<https://hsim.health.gov.on.ca/hdbportal/ocdm>)

Funding Category

Source: Government of Ontario, Ministry of Health; Ministry of Long-Term Care (http://www.health.gov.on.ca/en/common/ministry/publications/reports/master_numsys/master_numsys.aspx)

*** Legend of Funding category**

- AM Ambulatory Care
- AT Acute Care Treatment Hospital
- CR Chronic Care Treatment Hospital and Units of Hospital (Complex Continuing Care)
- GR General Rehabilitation Hospital and Units of Hospital
- MH Mental Health Unit
- I9 COVID-19 Inpatient Admission
- P5 Personal Protective Equipment
- S9 COVID-19 Health Human Resources
- SR Special Rehabilitation Hospital and Units of Hospitals
- C9 Access/Assessment Centres

CHEO is one of the 61 organizations which form part of the Kids Come First Health Team (Ontario Health Team Full Application, 2019). Partners of the Kids Come First Health Team, which focus on children and youth, may also receive funding from the Ministry of Children, Community, and Social Services, and the Ministry of Education (Ontario Health Team Full Application, 2019). Government funding has not been sufficient to address rising hospital costs due to inflation, labour increases, and higher demand for services (OHA, 2018). An impact of the strain on hospitals can be seen through an increase in emergency department wait times (OHA, 2019). In response to COVID, an increase in base funding of 4.3% is seen as being required from the government for financial stability (OHA, 2020). Recently, CHEO has benefited financially by receiving additional government funding as part of the *2021 Ontario Economic Outlook and Fiscal Review: Build Ontario*. The funding under this program is to be put towards building the infrastructure of CHEO's new 1door4care building, with the purpose of the building being to meet the growing demand for services for children and youth with special needs.

CHEO is the only hospital in Eastern Ontario dedicated to solely treating children and youth. From a research design perspective this may create challenges in confirmability. Frequently a case may be used for confirmability, that is to either confirm or disconfirm a given theory (Seawright & Gerring, 2008). This is not possible with CHEO given its unique mandate and unique characteristics of its foundations. Specifically, CHEO cannot target their patient demographic from a fundraising perspective because their patients are children and youth (The Discovery Group, 2019).

Thus CHEO's approach to fundraising will be different when compared to other hospitals and hospital foundations.

CHEO is more than a hospital. They also act as a children's treatment centre, school, and autism program (CHEO, 2019c). In addition, CHEO is recognized as one of the few stand-alone pediatric hospitals in Canada (Faculty of Medicine Departments of Pediatrics, 2021). The foundations associated with CHEO include CHEO Foundation, CHEO Research Institute and Roger Neilson House (RNH). The decision to include RNH demonstrates an occasion where the progress of qualitative research is not always linear. In particular, it was only after beginning to generate codes for analysis of the organizations originally included in the CHEO group of entities that it was found necessary to include RNH as belonging to the group of entities.

Examining each of the CHEO group of entities helps to understand how the various organizations work together to manage their operations in ways that allow them to benefit from additional support when needed. Provincial government funding does not cover costs for some equipment, patient and family programs, or for pediatric research (Ottawa Business Journal, 2021). Government funding is normally focused on hospital operations. Funding for capital investments often needs to be sourced, at least in part, from other sources. Such capital funding activities have been of greater research interest previously (Teja, Daniel, Pink, Brown, & Klein, 2020).

Examining CHEO's three foundations is useful for capturing differences between the entities because the hospital foundations are managed separately. Table 3-2 presents a brief overview of

financial information for each of the CHEO group of entities. A noticeable difference among the CHEO group of entities can be seen in the year-ends, with the CHEO Foundation having a December 31st year-end, while the other organizations have March 31 year-ends. Table 3-2 also offers a perspective on the relative size of the entities. CHEO Foundation displays a high net assets value relative to the other entities, an attribute identified by Mirae (2017) as providing flexibility by allowing an organization to maintain its programs during financial setbacks and expand in good times.

Revenues, expenses, total assets, and total liabilities are beneficial indicators in distinguishing between the different organizations' capacities, therefore these indicators reflect and influence the financial relationships pursued between the CHEO group of entities. Marlin et al. (2013) notes that foundation's revenues, expenses, and asset holdings are impacted by the decisions of its directors and managers. Among the CHEO foundations the CHEO Foundation has the highest revenues, expenses, and net assets. The CHEO Research Institute is approximately three-quarters the size of the CHEO Foundation in terms of revenues and expenses, approximately one-half its size in total assets, but only one-tenth its size in net assets. This reflects is much larger total liabilities. The RNH is approximately one-tenth the size of the CHEO Research Institute on most indicators.

Table 3-2. Comparing size of CHEO group of entities

	CHEO	CHEO Foundation	CHEO Research Institute	Roger Neilson House (RNH)
Year End	March 31, 2021	December 31, 2020	March 31, 2021	March 31, 2021
Revenues	\$340,117,000	\$44,651,501	\$33,556,532	\$3,677,020
Expenses	\$337,123,000	\$33,753,898	\$26,278,479	\$2,912,641
Excess of revenues over expenses	\$2,994,000	\$10,897,603	\$7,278,053	\$764,379
Total assets	\$248,213,000	\$107,989,733	\$54,917,301	\$3,958,589
Total liabilities	\$216,625,000	\$5,290,032	\$43,466,910	\$2,305,944
Net Assets	\$31,588,000	\$102,699,701	\$11,450,391	\$1,652,645

Sources:

CHEO (2021a) March 31 financial statements

CHEO Foundation (2020a) December 31 financial statements

CHEO Research Institute (2021a) March 31 financial statements

Roger Neilson House (2021a) March 31 financial statements

Observing the sizes of the CHEO group of entities through their financial information reflects the unit of analysis. In looking at the hospital and hospital foundations, specifically their relationships, the unit of analysis is at the organizational level. The unit of analysis is the entity on which data is collected (York, 2020). As a result, data is collected that is representative of the CHEO group of entities as a whole.

3.3 Data Collection Methods / Research Tactics

To answer a research question effectively, data collection is an important step. In this research, secondary data is examined rather than primary data. Secondary data refers to data that has previously been published and is not directly collected by the researcher (Bryman et al., 2011). Such archival data can consist of a variety of different existing documents. Data for this research is collected from the CHEO group of entities' financial statements. Supporting information is derived from the annual reports and T3010 filings of the CHEO group of entities. The data

collected includes the most recent six years from 2016-2021 (March 31 year-end) reflecting CHEO's amalgamation with the Ottawa Children Treatment Centre (OCTC) in 2016. For the CHEO Foundation, the six-year period includes 2015-2020 considering the difference in year ends (December 31 year-end). Additionally, in 2016, there is evidence of enhanced involvement between CHEO Foundation and RNH that has contributed to strengthening their relationship.

Using archival data offers the benefit of reducing the bias that can occur when individuals know they are being studied, such as through interviews and questionnaires. Another advantage of archival data is the ability to take an historical perspective because the data is provided for multiple years, allowing for a better understanding of the relationship between hospitals and hospital foundations. However, a disadvantage of archival data is the lack of control over the data; therefore, one must be mindful of the quality of data used (Bryman et al., 2011). However, using audited financial statements as archival data helps ensure the quality of the data, because financial statements are audited by independent auditors who attest the financial statements are fairly presented in all material respects.

Financial statements were selected as the primary data to examine the financial relationships between hospitals and hospital foundations because, as recognized by Brouard & Pilon (2020), they are a main source for reporting financial information. Non-profit organizations' financial statements contain the following elements: income statement with revenue and expenses; balance sheet with assets, liabilities, and net assets; the statement of changes in net assets; the statement of cash flows; and the notes to the financial statements. The notes are particularly significant in presenting financial information that cannot be expressed within the financial statement items.

Financial statements aim to provide users with financial information to meet their needs, making them important to both internal and external stakeholders (Kieso et al., 2013).

Preparing and reporting financial statements help hospitals and their foundations demonstrate they are meeting their obligation to maintain direction and control over the use of all their resources. Therefore, financial statements are used to provide an organization's different stakeholders with valuable financial information that can increase transparency by giving a better idea of the organization's operations. Financial reporting provides information on the resources obtained and used by the organization during the period, presents the resources available for future use at the end of the period, and reflects the organization's ability to continue to supply services in the future (Torres & Pina, 2003). The financial statements of the CHEO group of entities contain financial information relating to transactions and flows of resources between the entities, and these illustrate financial relationships between the CHEO group of entities.

Due to its public accessibility the T3010 (registered charity information return) is used in this research to support and corroborate the information from the financial statements. The T3010 Schedule 6 is most useful in corroborating the financial statements because it displays detailed financial information from each charity. As a result, the T3010 return can be used to confirm the revenues, expenses, assets, and liabilities recorded on financial statements. Detailed financial information is required to be included in a T3010 when a charity's revenue exceeds \$100,000, the amount of all property not used in charitable activities is more than \$25,000, and if the charity has permission to accumulate funds during the fiscal period (Brouard & Pilon, 2020).

A T3010 return also requires information connected to the charity's identification, directors, programs, and financial information to be included (Brouard & Glass, 2017). Therefore, this additional information found in the T3010 return provides further support for the relationship dimensions identified earlier. The T3010 return provides information about a non-profit organization's operations that helps alleviate information asymmetry with stakeholders (Hofmann & McSwain, 2013). By providing information regarding a non-profit organization's operations, the T3010 return represents an external governance mechanism, allowing charities to demonstrate financial accountability (Brouard & Pilon, 2020).

Annual reports complement the information found in financial statements. Some of the narrative information included in the annual reports provided contextual background for each organization. The information in the annual report offers insight into an organization's mission and objectives and types of fundraising. Annual reports also present nonfinancial information. Nonfinancial information allows organizations to demonstrate how resources are directed to accomplish their charitable purpose and how activities help maintain relationships with stakeholders. Relationships help to develop the efficiency, stability, and reputation that donors consider when making donations (Trussel & Parsons, 2007). Many non-profit organizations provide additional voluntary information to demonstrate accountability. This voluntary information is particularly likely to be provided in a competitive funding environment (Phillips, 2013). Providing more information helps organizations discharge their obligations to the public and to enhance their influence.

Funding was received by the researcher from the Canadian Philanthropy Partnership Research Network (PhiLab). Part of the PhiLab funding process involves developing a partnership with a suitable foundation. Discussions took place with Dr. Jason Berman from CHEO Research Institute and CHEO and with Kevin Keohane from the CHEO Foundation because the research related to CHEO. Through these discussions, including RNH among the CHEO group of entities was recommended. There was great support from these representatives from the CHEO group of entities, and they offered any necessary assistance. In addition, contacts were provided following the meeting to arrange for the provision of any missing documentation, including previous year financial statements and annual reports from the CHEO group of entities.

3.4 Data Analysis

Data analysis involves the management, analysis, and interpretation of collected data (Bryman et al., 2011). An essential element of data analysis is reducing the quantity of data collected to the most relevant data for the research question. The data analysis phase has been acknowledged to be the most complex within qualitative research. Careful data analysis is essential in producing meaningful results. This research undertakes thematic analysis to recognize patterns in the data collected.

Thematic analysis is defined as focusing on “identifying, organizing, and interpreting themes in textual data” (King & Brooks, 2018, p.2). The definition by King and Brooks (2018) elaborates on earlier work by Boyatzis (1998) who described thematic analysis as a process for encoding qualitative information. The first step in thematic analysis is description of the data set. This is followed by interpretation of aspects of the data set which are of particular relevance to the

research topic (Vaismoradi, Turunen, & Bondas, 2013). The detailed descriptions developed in the first step provide further insights into the relationships between hospitals and hospitals foundations before further interpretation is undertaken in the next step. Thematic analysis can be seen as an iterative and reflective process, meaning it is possible to move back and forth between the descriptive and interpretive stages (Nowell, Norris, White, & Moules, 2017). As a result, the themes identified may evolve as data analysis progresses.

Myers (2013) identified various factors to be considered when assessing the appropriateness of thematic analysis. Some of these factors involve whether the data analysis approach is reasonably consistent with the research strategy and whether the right quantity and quality of data has been gathered for the selected data analysis approach. As identified by Mills, Durepos, & Wiebe (2010), thematic analysis ensures that context is considered along with the associated data. This facilitates creating a deep understanding of the case as part of the case study method. Collecting data over six years for all entities in the CHEO group creates a large data set. A structured approach to thematic analysis through developing codes and themes is suitable for dealing with the data for this research (Nowell et al., 2017).

Figure 3-1 displays the steps taken in this research that align with thematic analysis. At the beginning of the thematic analysis, an overall sense of the data associated with the CHEO group of entities was gained. Such data was retrieved from their websites and included both financial statements and annual reports. Data related to the CHEO group of entities obtained from outside of their websites included the T3010 returns found on CRA's website. Exploring the available

data lead to the decision to focus mainly on the financial statements to address the research question.

Figure 3-1. Thematic Analysis Process



Further familiarity with the financial statements before developing codes and themes demonstrated an inductive approach to thematic analysis was appropriate. Familiarity was gained by taking a subsample of each of the CHEO group of entities' recent financial statements and identifying all the transactions and transfers indicating a financial relationship between the CHEO group of entities. In the working papers created, the financial relationships were identified in the order presented in the financial statements. An inductive approach is data-driven, where analysis is not guided by a pre-existing coding frame or analytic preconceptions. Therefore, a data-driven approach is more reflective of the information within the data (Nowell et al., 2017).

After the first time through the financial statements to identify financial relationships, a connection to the activity blocks identified earlier from Anheier (2005) was recognized. However, no financial relationships directly related to the operating cost activity block were identified. Operating costs became evident through the allocation of contributions, because some contributions are used towards operating costs of the CHEO group of entities. These contributions were recognized as a source of revenue in the receiving organization. Additional financial relationships were identified that did not fall under one of the previously identified activity blocks, specifically when looking at the income statement. Therefore, the conclusion was reached that using the activity blocks as codes would not be accurate.

To better represent all the elements of the financial relationships the codes were based on the elements of revenues, expenses, assets, and liabilities in the financial statements. Transactions and transfers occur between these four identified elements, making them suitable to use as codes. As recognized by Terry, Hayfield, Clarke, & Braun (2017), initial codes are labels tied to specific segments considered relevant to the research question within the dataset. Themes were developed for this research through the financial statement disclosures, offering greater detail into the identified codes. Identifying themes are seen as intrinsically recurrent, that is distinctive and characteristic, within a particular research text (King & Brooks, 2018).

The themes relevant to each code identified from the CHEO group of entities' financial statements are presented in Figure 3-2. The themes display the associations between revenues and expenses, as well as between assets and liabilities. For example, CHEO Foundation has an agreement with the Hospital in connection with the parking facility whereby the parking is

shown as revenue for the Foundation, while the lease expenses, management and operating fees are expenses of the Hospital. An example related to the assets and liabilities is seen through a loan agreement that appears as an asset on the CHEO financial statement, whereas on the CHEO Research Institute financial statement, it is a liability. The themes describe the different financial relationships between the hospital and hospital foundations as presented on their financial statements. These financial relationships show that the CHEO group of entities engage with each other through more than information sharing. The financial relationships demonstrate the existence of mutual obligations of resources and coordinating services between the entities. These characteristics were recognized by Knutsen (2017) to indicate collaboration.

Figure 3-2. Early Thematic Map

Revenues	Expenses	Assets	Liabilities
<ul style="list-style-type: none"> • Contributions • Parking • Administrative service fee • Grant towards research institute facility 	<ul style="list-style-type: none"> • Administrative expenses • Lease expense • Management fees and operating costs 	<ul style="list-style-type: none"> • Land • Building • Due from related parties: non-interest-bearing receivable • Loan Agreement • Long term accounts receivable: restricted fund 	<ul style="list-style-type: none"> • Due to related parties: non-interest bearing payable • Loan Agreement

3.5 Quality of the Research

When conducting research, ensuring its rigor is an important consideration. A criterion designed to evaluate the quality of qualitative research is trustworthiness (Bryman et al., 2011).

Trustworthiness is based on confirmability, transferability, dependability, and credibility.

Confirmability includes triangulation, such as seen in research utilizing multiple archival data points. A thick description of the CHEO group of entities is presented to better understand the research context and help determine its transferability. Dependability is seen through sharing and collecting all archival data under supervision. As a result, this allows the thesis supervisor to follow along with the decisions being made to assist in arriving at the same conclusions. Self-awareness, seen in credibility, was established by organizing all the archival data used and keeping all versions of the thesis to see the progression of ideas.

The criteria address how qualitative research is less “codified” than statistical approaches in quantitative research (Welch & Piekkari, 2017). For case study research, a larger sample size does not mean higher confidence because statistical concepts do not apply (Myers, 2013). The CHEO group of entities is a suitable case because it is recognized as being able to contribute knowledge to examine the research question.

3.6 Ethical Considerations

The quality of research and ethics are connected. Flick (2018) identified quality as a precondition for ensuring research is ethically sound. As the data collection was focused on archival data, rather than contact with participants, there was limited concern about ethical matters such as lack

of informed consent or invasion of privacy (Bryman et al., 2011). Ethics clearance is required by Carleton University for secondary use of data that is not anonymous that was originally collected from human subjects that will be used for another purpose. It was established through communication with Carleton's Research Ethics Board that an ethics application did not need to be submitted for this research as the data used was not collected from human subjects and the data was already available in the public domain.

CHAPTER 4: FINDINGS

This thesis examines the relationships between non-profit organizations, specifically hospitals and hospital foundations in a Canadian context. In particular, this research offers a better understanding of the inter-organizational financial relationships between CHEO and its associated foundations. This chapter provides a detailed account of the financial relationships found between the CHEO group of entities when examining their financial statements. First, a description of the connections between the CHEO group of entities is presented as a foundation to develop detailed descriptions of the financial relationships. Examining the CHEO group of entities and their connections offers insight into the type of relationships they have with each other. The financial relationships incorporate grants and donations, revenues and expenses, assets, parking, and administrative services.

4.1 CHEO Entities

A description of each entity in the CHEO group of entities is laid out in this section. Descriptions of each of the CHEO group of entities helps develop greater knowledge of how the CHEO group of entities are connected. Descriptions that identify their mission, vision, values, strategic directions, and programs are presented in Appendix B. Appendix C presents their leadership teams and boards of directors to identify any overlap between members. The description of each player in the CHEO group of entities provides foundational insights when further investigating their financial relationships. It is important to understand each of the CHEO group of entities because the support of the CHEO Foundation, CHEO Research Institute, and RNH together permits CHEO to provide more effective patient care.

4.1.1 CHEO

CHEO is a registered charity founded in 1974. It is classified as a tertiary pediatric care centre (Pascuet, Cowin, Vaillancourt, Splinter, Vadeboncoeur, Grandmaison Dumond, Ni, & Rattray, 2010). Tertiary care is defined as “care of a highly technical and specialized nature, provided in a medical centre, usually affiliated with a university, for patients with unusually severe, complex, or uncommon health problems” (Flegel, 2015, p. 235). As a pediatric care centre CHEO specifically addresses the treatment of children and youth, including those with complex and chronic diseases.

CHEO’s mission is to “provide exceptional care and advance how children, youth, and families obtain it through partnership, research, and education” (CHEO, 2020b). The vision is to offer “the best life for every child and youth” (CHEO, 2020b). The strategic plan of CHEO was previously driven by growth. This has shifted to a strategy on both focus and impact as stated in CHEO (2013). To accomplish their strategy, the strategic directions of CHEO involve: outcomes that matter, progress from evidence, partners in health, connecting care and unlocking potential (CHEO, 2019c).

CHEO’s 2021 T3010 return shows that it has a total of 1,793 full-time employees and 1,269 part-time employees. Total compensation for all employees is \$228,074,000, with the highest employee salary \$350,000 and over. CHEO has 167 beds and 71 outpatient specialty clinics (Ottawa Business Journal, 2017). Along with the main campus in Ottawa, to better serve the community and broader Eastern Ontario, CHEO has several clinics and programs throughout

Ottawa, Renfrew, and Cornwall (CHEO, 2021c). In addition, there are a wide variety of services such as an autism service provider, child and youth mental health agency, and rehabilitation service accessible at CHEO, as further displayed in Appendix B (CHEO, 2020). To provide their services, CHEO obtains revenue from external sources, including government and foundations. Additionally, revenue is obtained from certain patient services.

The process of CHEO's amalgamation with Ottawa Children's Treatment Centre (OCTC) that began in 2016 was completed by 2018 (CHEO, 2018a.) A driving factor behind this decision was to create a more effective system to provide the best form of care for families. Approximately 60% of OCTC patients had been identified as receiving treatment at both CHEO and OCTC prior to the amalgamation (McCracken, 2016a). CHEO had previously interacted with OCTC before the amalgamation through a lease agreement which allowed OCTC to rent space in CHEO's West Wing (CHEO, 2016a). Numerous pre-amalgamation steps need to be completed to ensure the effectiveness of the amalgamation between CHEO and OCTC. These steps included harmonizing payroll dates, synchronizing information systems, and aligning management structures (CHEO, 2018b).

Table 4-1 summarizes CHEO's revenues, as derived from various sources. Government sources include the MOHLTC and the LHIN, which provide more than half the revenues for CHEO.

Over the six years examined, CHEO has combined a few revenue source categories.

Reclassification of revenue source categories is observed through inpatient from other sources, outpatient-OHIP (Ontario Health Insurance Plan) and other sources, and preferred accommodation being combined into the patient services revenue source category. Additionally,

recoveries and other operating revenues have been combined as a revenue source category. Other funded programs, which relate to CHEO's provincial and federal programs, experienced a significant increase from 2016 to 2017.

Table 4-1. CHEO Revenues

(In thousands of \$)	2016	2017	2018	2019	2020	2021
Ministry of Health and Long-term Care (MOHLTC)/Local Health Integration Network (LHIN)	\$147,197 59.9%	\$149,170 53.3%	\$154,968 51.2%	\$161,358 51.5%	\$164,900 51.3%	\$191,379 56.3%
Inpatient from other sources	\$20,612 8.4%	\$20,651 7.4%	-	-	-	-
Outpatient-OHIP and other sources	\$20,378 8.3%	\$21,295 7.6%	-	-	-	-
Other operating revenues	\$3,861 1.6%	\$5,868 2.1%	-	-	-	-
Recoveries	\$18,824 7.7%	\$20,210 7.2%	-	-	-	-
Other operating revenues and recoveries	-	-	\$34,559 11.4%	\$34,545 11.0%	\$33,509 10.4%	\$31,632 9.3%
Other Funded Programs	\$27,959 11.4%	\$55,877 20.3%	\$61,228 22.3%	\$66,824 23.6%	\$68,542 23.2%	\$67,745 19.9%
Patient Services	-	-	\$45,337 15.0%	\$44,319 15.7%	\$48,548 16.5%	\$43,504 12.8%
Amortization of deferred contributions for equipment	\$5,482 2.2%	\$5,310 1.9%	\$6,359 2.1%	\$6,046 1.9%	\$5,921 1.8%	\$5,857 1.7%
Preferred accommodation	\$1,218 0.5%	\$1,268 0.2%	-	-	-	-
Total Revenues	\$245,631 100%	\$279,649 100%	\$302,473 100%	\$313,092 100%	\$321,420 100%	\$340,117 100%

Source: CHEO (2016a, 2017a, 2018a, 2019a, 2020a, 2021a) March 31 Financial Statements

A portion of the revenue for the other funded programs comes from the MOHLTC/LHIN, while the other comes from what is now called the Ministry of Children, Community, and Social Services. The revenue increase in other funded programs from 2016 to 2017 likely results from incorporating the programs from OCTC through the amalgamation. OCTC had been known for providing specialized care in the Ottawa region for children and youth with multiple physical, developmental, and associated behavioural needs (CHEO Foundation, 2016b).

COVID-19 has demonstrated an impact on CHEO's revenues through patient services experiencing a noticeable decrease from 2020 to 2021. A decrease in patient services is

understandable considering hospitals in Ontario were required to temporarily stop non-urgent care, surgeries, and procedures (CHEO, 2021b). Furthermore, revenue from the MOHLTC saw an increase from 2020 to 2021, with the commitment of the MOHLTC to assist Ontario hospitals for COVID-19 related operating and capital costs recognized in CHEO financial statements.

Table 4-2 summarizes expenses of various types. Salaries and benefits represent the largest expense. In earlier years' salaries and benefits were separate; beginning in 2018 they were combined. Bad debt and bank charges and interest which represented a small portion of total expenses in 2016 and 2017 are likely combined in the supplies and other expenses in subsequent years. The impact of COVID-19 on CHEO's expenses can be seen through the increase in 2021 of medical and surgical supplies. To address the additional expenses due to COVID-19 CHEO has been allowed to redirect any unused revenues from certain funded programs.

Table 4-2. CHEO Expenses

(In thousands of \$)	2016	2017	2018	2019	2020	2021
Salaries and Benefits	-	-	\$151,353 50.1%	\$158,271 50.6%	\$164,764 51.4%	\$179,776 53.3%
Salaries and wages	\$109,815 44.3%	\$111,966 40.2%	-	-	-	-
Benefits and contributions	\$28,336 11.4%	\$30,153 10.8%	-	-	-	-
Other funded programs	\$27,959 11.3%	\$55,877 20.1%	\$61,228 20.2%	\$66,824 21.3%	\$68,542 21.4%	\$67,745 20.1%
Supplies and other expenses	\$43,883 17.7%	\$43,317 15.6%	\$51,659 17.1%	\$50,920 16.3%	\$50,584 15.8%	\$42,553 12.6%
Amortization-equipment	\$11,292 4.6%	\$10,510 3.8%	\$11,816 3.9%	\$11,780 3.8%	\$11,143 3.5%	\$11,866 3.5%
Medical staff remuneration	\$9,089 3.7%	\$9,395 3.4%	\$9,394 3.1%	\$10,108 3.2%	\$9,985 3.1%	\$9,486 2.8%
Medical and Surgical supplies	\$7,100 2.9%	\$7,056 2.5%	\$7,556 2.5%	\$7,259 2.3%	\$7,894 2.4%	\$15,663 4.6%
Drugs and Medical gases	\$8,871 3.6%	\$8,915 3.2%	\$9,467 3.1%	\$7,862 2.5%	\$7,679 2.4%	\$10,034 3.0%
Bad debt	\$956 0.4%	\$716 0.3%	-	-	-	-
Bank charges and interest	\$323 0.1%	\$307 0.1%	-	-	-	-
Total Expenses	\$247,624 100%	\$278,212 100%	\$302,473 100%	\$313,024 100%	\$320,591 100%	\$337,123 100%

Source: CHEO (2016a, 2017a, 2018a, 2019a, 2020a, 2021a) March 31 Financial Statements

As demonstrated, CHEO has a diverse stream of revenues. A benefit of diverse revenue streams is it limits an organization's dependence on external funding coming from government sources, thereby reducing its financial vulnerability (Mirae, 2017). Relying heavily on government funding impacts an organization's ability to fund activities outside of direct program delivery, such as personnel and administrative expenses (Shon, Hamidullah, McDougale, 2018).

4.1.2 CHEO Foundation

The CHEO Foundation was incorporated in 1974 as a registered charity. The intent of the CHEO Foundation is to develop, accept, distribute, and recognize philanthropy in support of CHEO, the CHEO Research Institute and Roger Neilson House (Ottawa Business Journal, 2017). The CHEO Foundation supports the other CHEO group entities by being on the trailing edge (The Discovery Group, 2019). Being on the trailing edge means the CHEO Foundation is to align behind the priorities of the other CHEO group entities.

The mission of CHEO Foundation is "to further the physical, mental, and social well-being of children and their families in Eastern Ontario and Western Quebec by raising, managing and disbursing funds" (CHEO Foundation, 2020b). There are no visibly identifiable statements of vision or strategy directly linked to CHEO Foundation, however, it helps the other CHEO group entities to reach their own.

As per its 2020 T3010 return, CHEO Foundation has 39 full-time employees and 1 part-time employee. The total compensation for all employees is \$3,905,763 with the highest employee salary falling between \$300,000 and \$349,999. Funding priorities are targeted towards

specialized equipment, life-saving research, clinical services, and programs (Ottawa Business Journal, 2017). The CHEO Foundation works with numerous corporate and individual donors that assist in fundraising. Focusing on children's health entails a need for a broad variety of fundraising activities, as shown through the Foundation operating more than 250 events each year (CHEO Foundation, 2021). To operate numerous events, the CHEO Foundation works with approximately 300 fundraising partners (CHEO Foundation, 2020a).

The amalgamation of CHEO and OCTC led CHEO Foundation to merge operations with the OCTC Foundation, which had begun in February 2017 (CHEO Foundation, 2017a). Before the amalgamation all OCTC Foundation assets were liquidated and \$508,254 was transferred to the CHEO Foundation (CHEO Foundation, 2017a). The overall amalgamation aligns with pursuing CHEO's strategic direction related to connecting care.

Within the CHEO Foundation there is a great reliance on fundraising. Fundraising is the largest source of revenues for the CHEO Foundation, as displayed in Table 4-3. Fundraising is important to CHEO Foundation, considering they distribute funds to the other CHEO group entities. Notable major CHEO Foundation (2018b) fundraising activities include CHEO's Dream of a Lifetime Lottery, the CN Cycle for CHEO, the CHEO Telethon, For the Kids Auction, and RBC Race for the Kids.

The CHEO Foundation financial statements show there has been no disclosure of the breakdown of the lottery operations that would allow users to grasp how much is going towards charitable programming. Knowing how much is spent on charitable programming addresses a key

drawback to lotteries, which is that they are costly to run and not always guaranteed to be profitable (Thomson & Cheng, 2013). Lotteries most likely generate unrestricted funds, providing flexibility to the non-profit organization to distribute funds as it prefers, making it more important to know how much is going towards charitable programming. Furthermore, the 2019 and 2020 financial statements demonstrate that bequests, direct mail, and major gifts are no longer distinguished on their own. Those categories are regrouped into the other remaining categories of revenue sources, should any have been received in those years.

Table 4-3. CHEO Foundation Revenues

	2015	2016	2017	2018	2019	2020
Fundraising	\$8,754,909 30.4%	\$10,326,969 35.3%	\$13,350,102 37.5%	\$14,139,174 44.2%	\$19,206,032 44.3%	\$22,858,033 51.2%
Lotteries	\$7,343,453 25.5%	\$7,488,802 25.6%	\$7,631,704 21.5%	\$8,049,555 25.2%	\$9,314,278 21.5%	\$12,610,105 28.2%
Bequests	\$3,419,777 11.9%	\$2,175,440 7.4%	\$1,656,382 4.6%	\$2,373,537 7.4%	-	-
Direct Mail	\$884,808 3.1%	\$676,065 2.3%	\$905,197 2.5%	\$577,875 1.8%	-	-
Major gifts	\$2,270,708 7.9%	\$1,512,652 5.2%	\$2,749,074 7.7%	\$2,202,373 6.9%	-	-
Investment Income	\$2,016,766 7.0%	\$2,923,252 10.0%	\$5,039,020 14.2%	\$129,008 0.4%	\$10,279,819 23.7%	\$6,689,987 15.0%
Parking and Misc. Revenue	\$4,134,368 14.3%	\$4,084,691 14.0%	\$4,213,069 12.0%	\$4,510,828 14.1%	\$4,578,751 10.5%	\$2,493,376 5.6%
Total Revenues	\$28,824,789 100%	\$29,238,725 100%	\$35,544,548 100%	\$31,982,260 100%	\$43,378,880 100%	\$44,651,501 100%

Source: CHEO Foundation (2015, 2016a, 2017a, 2018a, 2019a, 2020a) December 31 Financial Statements

The expenses of CHEO Foundation are described in Table 4-4. The grants provided to the other CHEO group entities represent the largest share of expenditures. The direct expenses include the lease expense, management, and operating expenses from the parking agreement. However, the nature of other direct expenses are unclear. Employee benefits are a portion of the indirect expenses related to other fundraising and administrative expenses. The growth in fundraising revenues is likely linked to the increase in fundraising expenses. Mirae (2017) noted that

spending on fundraising may offer an opportunity to grow a donor base for future donations. Thus spending on fundraising may contribute to the generation of revenues that are able to be distributed to the other CHEO group entities. The amount spent on fundraising impacts how efficient donors perceive the non-profit organization to be and how much money is donated (Carroll & Stater, 2008).

Table 4-4. CHEO Foundation Expenses

	2015	2016	2017	2018	2019	2020
Direct expenses	\$6,987,060 25.6%	\$7,391,364 27.7%	\$7,560,422 26.8%	\$8,036,845 29.7%	\$9,031,746 29.1%	\$7,998,639 23.7%
Other fundraising expenses	\$2,384,003 8.7%	\$2,617,250 9.8%	\$2,949,380 10.4%	\$3,097,388 11.5%	\$3,274,506 10.6%	\$3,383,713 10.0%
Administrative expenses	\$1,056,102 3.9%	\$863,745 3.2%	\$984,152 3.5%	\$1,087,573 4.0%	\$1,639,318 5.3%	\$1,402,610 4.2%
Grants towards capital and programs	\$16,728,417 16.4%	\$15,670,443 58.8%	\$16,632,985 58.9%	\$14,680,768 54.3%	\$16,908,646 54.5%	\$20,731,407 61.4%
Grants towards contribution of services	\$103,186 0.4%	\$135,722 0.5%	\$115,009 0.4%	\$140,030 0.5%	\$150,811 0.5%	\$236,529 0.7%
Total Expenses	\$27,258,768 100%	\$26,678,524 100%	\$28,241,948 100%	\$27,042,604 100%	\$31,005,027 100%	\$33,752,898 100%

Source: CHEO Foundation (2015, 2016a, 2017a, 2018a, 2019a, 2020a) December 31 Financial Statements

A greater portion of direct expenses, compared to fundraising and administrative expenses, reflects well on the CHEO Foundation. Direct expenses that may be associated with program service expenses have been recognized as significant in furthering a non-profit organization's mission and appearing more efficient to stakeholders (Krishnan & Yetman, 2011). For example, incurring the expenses associated with parking is beneficial because through this the CHEO Foundation obtains revenues to support CHEO. In addition, CHEO Foundation obtains revenues to distribute to the other CHEO group entities to support their missions, with the CHEO Foundation recording these contributions as an expense. This demonstrates that non-profit organizations may use revenues received to incur program service expenses, as these activities relate to an organizations purpose (Hofmann & McSwain, 2013).

4.1.3 CHEO Research Institute

CHEO Research Institute was incorporated in 1987 and recognized as a registered charity (CHEO Research Institute, 2019a). As the research arm of CHEO, the CHEO Research Institute helps ensure children and youth are provided exceptional care at CHEO. As recognized in their financial statements, the work at CHEO Research Institute is to carry on or promote scientific research related to diseases of children and adolescents.

The driving purpose of CHEO Research Institute as seen in its mission is “connecting exceptional talent and technology in pursuit of life-changing research for every child, youth, and family in our community and beyond” (CHEO Research Institute 2020b). The vision identified for CHEO Research Institute revolves around “discoveries to inspire the best life for every child and youth” (CHEO Research Institute, 2020b). The mission and vision of CHEO Research Institute reflect the need for equity, diversity, and inclusion across the health research ecosystem (CHEO Foundation, 2020b). CHEO Research Institute’s strategic plan for the years 2021-24 consists of four strategic directions, including: integrate research throughout CHEO, engage patients and families, translate discoveries to patient care, and secure novel funding.

CHEO Research Institute has 138 full-time employees and 242 part-time employees as per their 2021 T3010 return. Total compensation for all employees is \$17,935,101, with the highest employee salary between \$300,000 and \$349,999. There are three core research programs: molecular biomedicine, health information technologies, and evidence to practice. To encourage

innovative research, the CHEO Research Institute is affiliated with the University of Ottawa, collaborating with the Faculty of Medicine and Health Sciences (CHEO, 2021d).

CHEO Research Institute receives a variety of sources of revenue, as presented in Table 4-5. The largest source of revenue is mainly external, coming from research grants provided from various funding organizations and other registered charities. These comprise more than two-thirds of total revenues ranging from \$16,763,329 to \$20,365,520 per year, except for 2021. CHEO Research Institute is supported by some leading funding agencies including Canada Foundation for Innovation, the Canadian Institutes for Health Research (CIHR), and Physician Services Incorporated (CHEO Research Institute, 2018b). CHEO Research Institute has been able to grow support through gaining new funding from 26 granting organizations (CHEO Research Institute, 2018b). In addition, due to COVID-19, CHEO Research Institute was eligible to receive revenue from the Canadian Research Continuity Emergency Fund (CRCEF). Other revenue is comprised of investment income, unrealized gain/loss on investments, unrealized foreign exchange gain/loss on investments, rental income, commercialization revenue, salary support, and other research related income.

The sources of expenses for CHEO Research Institute are presented in Table 4-6. From the expenses, the largest is related to research projects recognized as a program service expense. The increase in supplies helped keep up with the demand of research projects and COVID-19. The CHEO Research Institute produces 500 discoveries each year that contribute to offering better care (CHEO, 2021d).

Table 4-5. CHEO Research Institute Revenues

	2016	2017	2018	2019	2020	2021
Research Grants	\$20,365,520 76.1%	\$20,150,028 70.0%	\$16,763,329 68.0%	\$19,800,084 66.9%	\$18,418,690 68.7%	\$17,312,897 51.6%
Operating Contributions from Related Parties	\$4,617,000 17.3%	\$4,933,000 17.1%	\$5,119,337 20.8%	\$5,082,056 17.2%	\$5,517,376 20.6%	\$5,102,300 15.2%
Indirect cost funding	\$462,630 1.7%	\$573,829 2.0%	\$734,193 3.0%	\$911,617 3.1%	\$819,450 3.0%	\$757,034 2.3%
Other	\$766,251 2.9%	\$2,547,126 8.8%	\$1,413,161 5.7%	\$3,059,334 10.3%	\$1,557,192 5.7%	\$4,621,667 13.8%
Investment Income	-	-	-	-	\$1,145,272 4.2%	\$1,228,385 3.6%
Unrealized gain(loss) on investment	-	-	-	-	(\$1,437,573) 5.3%	\$3,912,592 11.6%
Amortization of deferred capital contributions	\$545,161 2.0%	\$596,451 2.1%	\$629,321 2.6%	\$748,745 2.5%	\$762,165 2.7%	\$621,657 1.9%
Total Revenues	\$26,756,562 100%	\$28,800,434 100%	\$24,659,341 100%	\$29,601,836 100%	\$26,782,572 100%	\$33,556,532 100%

Source: CHEO Research Institute (2016a, 2017a, 2018a, 2019a, 2020a, 2021a) March 31 Financial Statements

Table 4-6. CHEO Research Institute Expenses

	2016	2017	2018	2019	2020	2021
Research Projects	\$20,365,520 76.3%	\$20,150,028 74.4%	\$16,763,329 69.2%	\$19,800,084 71.3%	\$18,418,690 66.2%	\$17,312,897 65.9%
Salaries, wages, and benefits	\$3,521,328 13.2%	\$3,793,468 14.0%	\$3,697,004 15.3%	\$3,478,083 12.5%	\$4,274,058 15.4%	\$4,426,757 16.8%
Supplies and others	\$2,138,250 8.0%	\$2,406,824 8.9%	\$3,010,514 12.4%	\$3,595,619 13.0%	\$4,287,988 15.4%	\$3,840,877 14.6%
Amortization	\$660,383 2.5%	\$744,863 2.7%	\$763,886 3.1%	\$883,905 3.2%	\$859,833 3.0%	697,948 2.7%
Total Expenses	\$26,685,481 100%	\$27,095,183 100%	\$24,234,733 100%	\$27,757,691 100%	\$27,840,569 100%	\$26,278,479 100%

Source: CHEO Research Institute (2016a, 2017a, 2018a, 2019a, 2020a, 2021a) March 31 Financial Statements

4.1.4 Roger Neilson House

Dedicated to providing exceptional care, in 2006 CHEO allowed RNH, a palliative care centre, to open on their premises (Roger Neilson House, 2020b). The creation of a palliative care centre to improve children's quality of life was first conceived of by a hockey coach of the Ottawa Senators, Roger Neilson. The details of the relationship with CHEO were outlined through a Memorandum of Understanding that was entered into with RNH (Roger Neilson House, 2016a). However, in 2017 a Memorandum of Understanding was also entered into with the CHEO Foundation (Roger Neilson House, 2017a).

Roger Neilson House (2020b) identifies their mission to “meet the unique palliative care needs of newborns, children, youth and their families. We lead by advocating, by advancing clinical care and family support, and by learning through research and sharing knowledge”. Associated with the mission is RNH’s vision to “enrich the quality of lives, no matter how short” (Roger Neilson House, 2020b). RNH in 2018 embarked on establishing a new strategic direction, bringing forward the strategies of working in partnership, one strong team, excellence and leadership, and sustainable funding (Marshall, 2018).

RNH reported 19 full-time employees and 39 part-time employees in its 2021 T3010 return. Total compensation for all employees is \$2,229,654, with the highest salary between \$120,000 to \$159,999. Eight beds comprise RNH (Roger Neilson House, 2020b). As a paediatric hospice, RNH provides overall benefit by minimizing overall care costs for CHEO (Pascuet et al., 2010). The cost minimization that RNH provides CHEO reduces respite care patients’ use of inpatient services at CHEO.

Revenue from the government, representing the greatest portion of RNH’s revenues, comes from the Ministry of Health and Long-term care, and the Ministry of Children, Community and Social Services. The amount from the Ministry of Children, Community, and Social Services is displayed as steady over the years, while funding from the Ministry of Health and Long-term care has been less stable. RNH recognizes the CHEO Foundation as one of their primary fundraising organizations, as demonstrated through all memorial, tributes, and major gifts for RNH being directed to CHEO Foundation (Roger Neilson House, 2016c). A reason for all donations to be directed to CHEO Foundation is that they manage funds for RNH. There is a

fund for the purpose of providing critical support for the various programs and services offered by RNH (RogerNeilsonHouse, 2021). In addition, there is a capital fund for maintaining and improving the facility, as well as a specific fund set up in 2006 with \$10 million to cover operating costs (RogerNeilsonHouse, 2021). As displayed in Table 4-7, the portion of RNH’s revenue from donations increased, especially in 2020, demonstrating community support in coping with COVID-19. In addition, due to COVID-19 RNH received government assistance in 2021 under the Canada Emergency Wage Subsidy (CEWS).

Table 4-7. Roger Neilson House Revenues

	2016	2017	2018	2019	2020	2021
Ministry of Health and Long-term care	\$1,110,882 59.0%	\$1,341,547 64.1%	\$1,378,420 62.1%	\$1,766,928 64.1%	\$1,572,919 52.9%	\$1,604,664 43.6%
Ministry of Children, Community, and Social Services	\$157,500 8.4%	\$157,209 7.5%	\$157,500 7.1%	\$157,500 5.7%	\$157,500 5.3%	\$157,500 4.4%
Ottawa Senators Foundation	\$327,818 17.5%	\$325,000 15.4%	\$350,000 15.8%	\$314,166 11.4%	\$311,044 10.5%	-
Ottawa-Gatineau Youth Foundation	-	-	-	-	-	\$660,524 18.0%
Government Assistance	-	-	-	-	-	\$707,421 19.2%
Other contributions	\$58,861 3.1%	\$26,181 1.3%	\$116,700 5.3%	\$147,536 5.3%	\$87,525 2.9%	\$108,192 2.9%
Amortization	\$153,808 8.2%	\$181,889 8.7%	\$198,006 8.9%	\$214,795 7.8%	\$238,801 8.0%	\$270,098 7.3%
Donations	\$51,866 2.8%	\$19,942 1.0%	\$13,410 0.6%	\$116,617 4.2%	\$557,008 18.7%	\$148,225 4.0%
Investment and other income	\$20,599 1.0%	\$42,605 2.0%	\$6,715 0.2%	\$37,171 1.5%	\$50,880 1.7%	\$20,396 0.6%
Total Revenues	\$1,881,334 100%	\$2,094,373 100%	\$2,220,751 100%	\$2,754,713 100%	\$2,975,677 100%	\$3,677,020 100%

Source: Roger Neilson House (2016a, 2017a, 2018a, 2019a, 2020a, 2021a) March 31 Financial Statements

Over the years, there has been a decrease in revenues from the Ottawa Senators Foundation. The decrease in revenues is likely due to the Ottawa Senators Foundation’s transfer of their remaining operating funds balance to the CHEO Foundation beginning in 2015. The transfer of remaining operating funds to CHEO Foundation is connected to the agreement Ottawa Senators Foundation had with RNH. Furthermore, there is uncertainty about future funding from the

Ottawa Senators Foundations due to the cutting of ties with the Senators Hockey Club, creating a greater importance of the CHEO Foundation for funding RNH in the future (Wilson, 2020).

The expenses of RNH are shown in Table 4-8. Salaries and benefits comprise more than two-thirds of RNH expenses. The increase in professional fees and other along with in-house services may be linked to an increase in occupancy and demand for services. Occupancy at RNH reached a record high of 99% and saw an increase in Symptom Assessment admissions, Bereavement Support Groups, and individual counselling sessions (Roger Neilson House, 2019b). RNH's annual reports recognize the majority of its resources are directed towards program and service costs.

Table 4-8. Roger Neilson House Expenses

	2016	2017	2018	2019	2020	2021
Salaries and benefits	\$1,447,455 79.5%	\$1,625,107 78.3%	\$1,695,847 78.2%	\$2,057,575 76.2%	\$2,296,824 76.7%	\$2,229,654 76.6%
Amortization	\$162,510 8.9%	\$196,062 9.4%	\$222,877 10.3%	\$237,820 8.8%	\$258,901 8.6%	\$286,884 9.8%
Facility expenses	\$92,180 5.1%	\$85,911 4.1%	\$100,809 4.7%	\$183,582 6.8%	\$171,627 5.7%	\$161,252 5.5%
Office and travel	\$55,361 3.0%	\$46,714 2.3%	\$41,681 1.9%	\$72,664 2.7%	\$61,291 2.0%	\$45,431 1.6%
Staff recruitment and training	\$19,206 1.1%	\$16,742 0.8%	\$14,869 0.7%	\$34,980 1.3%	\$10,373 0.3%	\$3,618 0.1%
Professional fees and other	\$16,935 0.9%	\$28,532 1.4%	\$36,169 1.7%	\$42,167 1.6%	\$110,459 3.7%	\$130,932 4.5%
In-house services	\$16,360 0.9%	\$22,147 1.1%	\$29,398 1.4%	\$35,188 1.3%	\$56,149 1.9%	\$22,944 0.8%
Bank charges, interest, and service charges	\$6,724 0.4%	\$6,689 0.3%	\$7,790 0.4%	\$4,662 0.2%	\$4,338 0.1%	\$3,759 0.1%
Advertising and promotion	\$3,579 0.2%	\$48,473 2.3%	\$18,229 0.7%	\$30,989 1.1%	\$28,560 1.0%	\$28,167 1.0%
Total Expenses	\$1,820,310 100%	\$2,076,377 100%	\$2,167,669 100%	\$2,699,627 100%	\$2,998,522 100%	\$2,912,641 100%

Source: Roger Neilson House (2016a, 2017a, 2018a, 2019a, 2020a, 2021a) March 31 Financial Statements

RNH continues to meet increasing demands for their services through growing revenues. Greater revenues are necessary to offset the increases in expenses incurred to improve the care provided by RNH. RNH finished work on an outdoor play area and was able to add two new lifts to

upstairs bedrooms (Roger Neilson House, 2017b). More renovations were completed in 2020 (Roger Neilson House, 2020b), which included the redesign of the playroom and legacy installation.

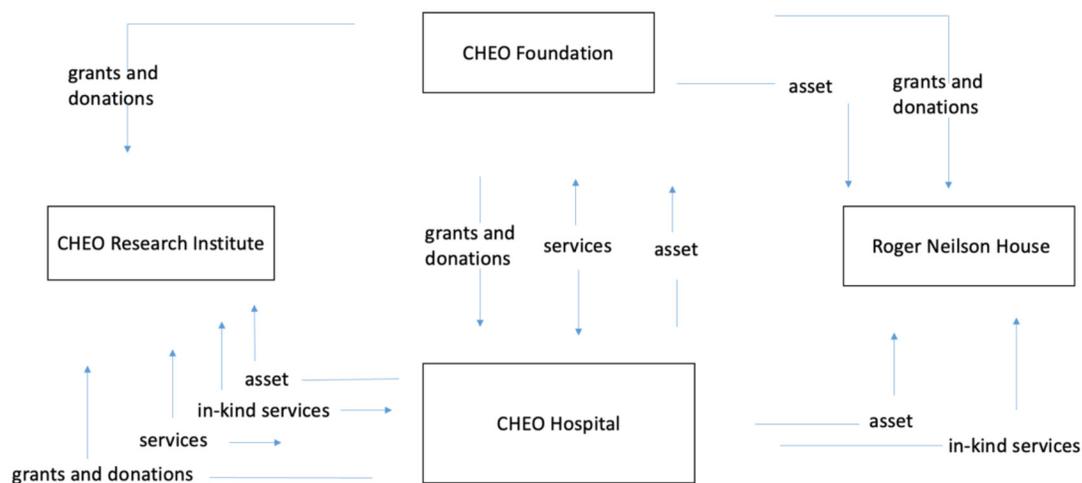
The detailed descriptions of the CHEO group of entities provided above are used to develop an understanding of the nature of their relationships. Recognizing the nature of the relationships between the CHEO group of entities assists in understanding the financial relationships between them. Other, non-financial, relationship dimensions noted above provide further support for the interconnected nature of relationships among the CHEO group of entities.

4.2 Nature of CHEO group of entities relationship

The CHEO group of entities' relationship is depicted in each of their financial statements through those transactions reported as taking place between related parties. RNH is indicated as a related party only on the CHEO Foundation financial statements beginning 2016. Recognizing a common purpose between the CHEO group of entities to improve the lives of children and youth supports considering each other as related parties. In addition to being identified as related parties, the financial statements indicate other financial relationships between the CHEO group of entities that establish a close relationship. Before addressing specific financial relationships, the mechanisms for how funds are exchanged between the CHEO group of entities are identified. Observing the financial relationships offers insight into inter-organizational collaborations among the CHEO group of entities.

Figure 4-1 displays the financial relationships between the CHEO group of entities. CHEO is depicted as larger to represent that CHEO overall is larger in size. This larger size is identified with CHEO having larger expenses, greater number of employees, and larger capital assets, such as land and building. The CHEO Foundation has a fundamental role within the CHEO group of entities as evident through various exchanges of funds with each of the other entities. CHEO Foundation explicitly recognizes all the other CHEO group of entities in its financial statements as “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 Research Institute, and Roger Neilson House”.

Figure 4-1. Financial relationships between CHEO Group of Entities



Financial transactions between the CHEO group of entities can occur in either one or both directions. The funds are distributed through grants and donations, assets, and delivery of

services with administrative services, and parking. The delivery of services represents financial relationships because the transactions create value by integrating the CHEO group of entities. An absence of arrows indicates no transfer or transaction is occurring between particular parties in the CHEO group of entities, such as the absence of a direct link between CHEO Research Institute and RNH. Furthermore, arrows in one direction only show value is provided with no exchange. In contrast, double-headed arrows illustrate an exchange in value takes place.

Figure 4-1 also illustrates that there are also non-financial relationships that connect the CHEO group of entities, seen through in-kind services. The in-kind services are evident through RNH collaborating with CHEO's palliative care team to provide the ideal treatment to patients. Additionally, RNH has transitioned their information system support and payroll to CHEO (Roger Neilson House, 2015b). Likewise, in 2019 RNH had officially implemented EPIC, CHEO's electronic health records system (Roger Neilson House, 2019b). CHEO Research Institute is also a part of EPIC, providing opportunities for more easily integrating research across CHEO.

The financial relationships identified above occur due to the presence of close relationships. A close relationship among the CHEO group of entities is also evident through the governance structures and the geographic proximity of the CHEO group of entities' locations. Governance structure and location facilitate a close relationship by creating more opportunities for collaboration between the CHEO group of entities. Additionally, governance provides organizations with direction and support in implementing collaborative practices (D'Amour et al., 2008). Collaboration allows for the development of closer connections between non-profit organizations (Fairfield & Wing, 2008).

Governance Structure

Links among the governance structures of the various CHEO group of entities helps contribute to collaboration among them. This is possible because some members of the board of directors within the group also serve on of the other organizations' boards. These links create opportunities to access critical resources and information, enhancing administrative innovation, financial success, organizational performance, and survival (Ihm & Shumate, 2019). The leadership team and board of directors for each of the CHEO group of entities are found in Appendix C. Board of directors were found in Form T1235 with the CHEO group of entities' T3010 returns for the year 2020. Leadership teams were found on the websites and annual reports of the CHEO group of entities. The compositions of the board of directors and leadership teams reflect overlap between the CHEO group of entities' members.

Bold font in Appendix C represents members of the CHEO group of entities who are present both through a role on their leadership team and board of directors of the CHEO group of entities. The italicized and underlined names, in addition to bolding, indicate a role on more than one of the CHEO group of entities. For example, the CEO and Scientific Director of the CHEO Research Institute also currently holds the role of Vice-President Research on the senior leadership team at CHEO. This overlap between CHEO and CHEO Research Institute demonstrates the cohesion between the research needs of CHEO and the research being conducted at CHEO Research Institute. Furthermore, this is not the only overlap seen between the CHEO group of entities' leadership teams.

Other overlaps occur between members on the leadership teams and the boards of directors. The overlap between leadership teams and board of directors is evident as the Chief of Staff and the General Counsel and Chief Privacy Officer on CHEO's leadership team also reside on the board of directors of CHEO Research Institute. Having the Chief of Staff on the board of directors is beneficial because their responsibility involves organizing the activities of the medical staff and ensuring the quality of clinical care and patient safety (CHEO, 2021e). Additionally, CHEO Foundation's President and CEO also sits on the board of directors of CHEO Research Institute. The needs of CHEO Research Institute may be addressed through the support of CHEO Foundation by having the President and CEO of the Foundation on the Research Institute's board of directors.

Along with overlap in leadership teams and the boards of directors, diversity is another factor that supports establishing collaboration. The board of directors at CHEO Foundation encompasses representatives from different corporate partners and communities who support CHEO Foundation (The Discovery Group, 2019). Building diversity among the board of directors contributes to broader knowledge and develops further social connections for CHEO Foundation.

Examining the boards of directors and leadership teams is important because it is crucial to acknowledge the individuals involved in non-profit organizations, even when there is a research focus at the organizational level. Berends, Van Burg, & Van Raaij (2011) established that an agreement between organizations cannot exist without at least working relationships between

boundary-spanning individuals. Developing relationships between boundary-spanners help organizations gain control over their environment (Tzasis, 2009).

CHEO Group of Entities Location

To provide further background into the close relationships among the CHEO group of entities, their locations can be found on a map in Appendix D. The map indicates the geographic proximity of all the CHEO group of entities to each other. An additional indication of their geographic proximity is demonstrated in Table 4-9, which presents the capital assets of the CHEO group of entities for building and land. Notably, only CHEO has land and only CHEO and RGH have buildings. These capital assets show the proximity and close relationship between the CHEO group of entities, illustrating how they are able to increase the capacity of each other through collaboration.

CHEO is the only one to recognize land as a capital asset on their financial statements, demonstrating that CHEO owns the land. CHEO has not purchased any additional land recently as evidenced by the fact their cost of land, as recorded under their capital assets on their financial statements, remains unchanged throughout the period. CHEO Research Institute does not have capital assets related to land and building, however they do have two buildings on CHEO's campus. CHEO covers the building infrastructure costs for these buildings. These costs are then billed back to CHEO Research Institute on a cost-recovery basis. However, CHEO Research Institute does have leasehold improvements as a capital asset and rental income as a source of revenue. CHEO Research Institute earns rental income from the CHEO Foundation which is located in the CHEO Research Institute buildings.

Table 4-9. CHEO group of entities capital assets

	2015	2016	2017	2018	2019	2020	2021
CHEO							
Land		\$454,000	\$454,000	\$454,000	\$454,000	\$454,000	\$454,000
Building		\$93,669,000	\$93,007,000	\$105,436,000	\$107,943,000	\$106,053,000	\$103,363,000
Total Capital Assets		\$146,289,000	\$158,025,000	\$172,145,000	\$170,470,000	\$167,640,000	\$162,443,000
CHEO Foundation							
Land	-	-	-	-	-	-	-
Building	-	-	-	-	-	-	-
Total Capital Assets	\$56,310	\$58,425	\$77,077	\$58,589	\$48,392	\$73,452	-
CHEO Research Institute							
Land		-	-	-	-	-	-
Building		-	-	-	-	-	-
Total Capital Assets		\$4,058,660	\$3,981,997	\$3,903,456	\$3,557,149	\$3,018,670	\$2,744,789
Roger Neilson House							
Land		-	-	-	-	-	-
Building		\$2,115,155	\$2,111,124	\$1,970,992	\$1,830,861	\$1,828,490	\$1,992,075
Total Capital Assets		\$2,239,813	\$2,353,221	\$2,259,113	\$2,091,271	\$2,085,386	\$2,207,161

Source:

CHEO (2016a, 2017a, 2018a, 2019a, 2020a, 2021a) March 31 Financial Statements

CHEO Foundation (2015, 2016a, 2017a, 2018a, 2019a, 2020a) December 31 Financial Statements

CHEO Research Institute (2016a, 2017a, 2018a, 2019a, 2020a, 2021a) March 31 Financial Statements

Roger Neilson House (2016a, 2017a, 2018a, 2019a, 2020a, 2021a) March 31 Financial Statements

The location of the CHEO Foundation being in the CHEO Research Institute building supports the absence of land and building as capital assets for CHEO Foundation. CHEO offers the use of their land to other organizations. As indicated in CHEO financial statements, there are long-term lease agreements with third parties related to buildings on their owned lands. As a result of CHEO's partnership RNH sits on land provided by CHEO that is landlocked in terms of expansion (The Ottawa Construction News, 2013). However, the land is still owned by CHEO and there was no transfer of ownership. Due to RNH being located on CHEO's land they do not have land as a capital asset, but do have a building.

CHEO has continued to expand on their land over the years, having added two new wings and quadrupled their research infrastructure (CHEO, 2014). Iwu, Kapondoro, Twum-Darko, & Tengeh (2015) found that non-profit organizations that invests in their own facilities develop greater organizational effectiveness and opportunities to work towards attaining their mission. Expanding the research infrastructure exhibits the close relationship between CHEO and CHEO Research, which benefits from their geographic proximity.

Collaboration within inter-organizational relationships offers advantages by allowing for strategic effects and knowledge creation (Hardy, Philips, & Lawrence, 2003). As governance mechanisms, board of directors and leadership teams provide an opportunity to establish strategic effects by creating an understanding of necessary resources to meet stakeholder needs. By recognizing stakeholders needs, collaboration can be used to acquire resources that add value to a non-profit organization's activities. Knowledge creation is fostered through the geographic proximity of the CHEO group of entities, which allows greater opportunity to be involved with each other to deepen collaborative ties. Hardy et al. (2003) observed that the more collaborative ties an organization has, the more likely it will be successful at generating new knowledge. The next sections provide further detail into the specific financial relationships related to the grants and donations, assets, and services among the CHEO group of entities, providing further evidence of the close relationships among them.

Grants and Donations

This section describes how donations, seen through the contributions from CHEO Foundation, are distributed to each of the other CHEO group of entities, as shown in Table 4-10. There is no

indication of the distribution of funds from CHEO Foundation in 2015. The sources of revenues identified earlier for the CHEO Foundation are used to provide contributions to the CHEO group of entities. CHEO receives the greatest portion of the total contributions, approximately half to two-thirds of all contributions from the CHEO Foundation (ranging from \$7,298,432 in 2018 to \$13,853,060 in 2020).

Table 4-10. Contributions to CHEO group of entities from CHEO Foundation

	2015	2016	2017	2018	2019	2020
CHEO	-	\$9,125,551 57.7%	\$10,679,562 63.8%	\$7,298,432 49.2%	\$9,618,577 56.4%	\$13,853,060 66.1%
CHEO Research Institute	-	\$6,471,340 40.9%	\$5,844,861 34.9%	\$6,710,292 45.3%	\$6,222,328 36.5%	\$6,128,727 29.2%
Roger Neilson House	-	\$209,274 1.4%	\$223,571 1.3%	\$812,074 5.5%	\$1,218,552 7.1%	\$986,149 4.7%
Total contributions distributed	\$16,831,603 100%	\$15,806,165 100%	\$16,747,994 100%	\$14,820,798 100%	\$17,059,457 100%	\$20,967,936 100%

Source: CHEO Foundation (2015, 2016a, 2017a, 2018a, 2019a, 2020a) December 31 Financial Statements

It is evident in Table 4-10 the CHEO Foundation has increased its overall contributions to the CHEO group of entities between 2016 and 2020. The CHEO Foundation provided a significant increase in contributions in 2020 to CHEO, while somewhat less was allocated towards CHEO Research Institute and RNH in 2020. The increase in contributions to CHEO is associated with helping CHEO meet the demands put on staff and the need for additional resources due to COVID-19. CHEO opened temporary facilities for screening and testing activities, redeployed staff towards newly created COVID-19 support roles and revised the delivery of a number of services to create capacity for pandemic response (CHEO, 2020a).

4.2.1 CHEO Foundation and CHEO

Contributions CHEO received from the CHEO Foundation are displayed in Table 4-11 by the use to which they were put. It is evident that the total contributions recorded by CHEO

Foundation do not agree with the amount recorded by CHEO, which may be explained due to different year ends. Capital contributions for 2016 and 2017 were distinguished between major equipment and parking contributions. Additionally, contributions for program support funding were indicated in 2016 and 2017. The program support funding, representing a small portion of total contributions, is most likely combined with the operating contributions in the later years. The CHEO Foundation demonstrates support to CHEO programs through additional ways as well such as recognizing in their financial statements that parking revenue is used towards both capital expenditures and programs.

Contributions have consistently been used to a larger extent for capital versus operating purposes. The substantial increase in 2018 for (non-parking) capital contributions was linked to the fact that CHEO purchased a higher amount of capital assets. Contributions related to other special purpose funds are not included in CHEO's revenues and expenses. Other special purpose funds are recognized in CHEO (2019a) as related to the projects with the administration that CHEO is involved with, which are presented as funds held for others. It was in 2018 when CHEO received approval for the 1door4care project, which aligns with the increases in the special purpose funds for CHEO Foundation to support the project's development.

Table 4-11. CHEO distribution of funds by CHEO Foundation

	2016	2017	2018	2019	2020	2021
Operating contributions	\$1,450,000 14.0%	\$50,000 0.5%	\$3,824,993 32.0%	\$2,817,172 30.5%	\$1,886,155 14.5%	\$1,952,235 15.3%
Program Support Funding	\$250,000 2.3%	\$250,000 2.5%	-	-	-	-
Capital contributions	Major equipment \$3,200,894 31.2%	Major equipment \$3,298,778 32.5%	\$5,675,057 47.5%	\$3,592,918 38.9%	\$4,524,309 34.9%	\$3,998,649 31.4%
	Parking contributions \$2,925,033 28.3%	Parking contributions \$4,002,669 39.5%				
Other Special Purpose Funds	\$2,511,963 24.2%	\$2,529,870 25.0%	\$2,446,462 20.5%	\$2,824,088 30.6%	\$6,557,638 50.6%	\$6,772,496 53.3%
Total Contributions distributed	\$10,337,890 100%	\$10,131,317 100%	\$11,946,512 100%	\$9,234,178 100%	\$12,968,102 100%	\$12,723,380 100%

Source: CHEO (2016a, 2017a, 2018a, 2019a, 2020a, 2021a) March 31 Financial Statements

Along with contributions, CHEO Foundation provides a grant to CHEO for the operating costs of the Research Institute facility. The grant provided by CHEO Foundation represents a reciprocal transaction because in return the CHEO Foundation does not pay occupancy costs to CHEO. Tsisis (2009) identified reciprocity as contributing towards developing collaboration and minimizing competition. CHEO Foundation's T3010 returns confirm the absence of occupancy costs and there is no indication of how much the occupancy cost would have been relevant to the grant provided to CHEO.

Since the grant by CHEO Foundation is specifically for the operating costs of the Research Institute facility, it demonstrates that restrictions are attached to the grant. CHEO Foundation would be interested in the condition of the CHEO Institute Research facility because the location of CHEO Foundation is in one of the CHEO Research Institute buildings. The grant is provided to CHEO, rather than directly to CHEO Research Institute, likely to reflect that CHEO initially pays all operating and capital expenses.

The CHEO Foundation records the contributions and grant provided to CHEO as expenses. The expenses are distinguished between capital and programs, and contribution of services. CHEO recognizes a large portion of contributions as capital contributions which is reflective of CHEO Foundation allocating a large portion of contributions towards capital equipment. Likewise, the larger amounts of contributions towards capital are associated with the fact that government funding is restricted largely to operating costs.

4.2.2 CHEO Foundation and CHEO Research Institute

Table 4-12 displays CHEO Research Institute's contributions from the CHEO Foundation. The CHEO Foundation is one of the non-profit organizations that CHEO Research Institute indicated it is economically dependent on for financial support in their financial statements. Revenues for research projects are provided by other organizations, suggesting that most contributions from CHEO Foundation go towards operating costs. CHEO Foundation's contributions for research projects were significantly lower in 2018, possibly because CHEO Research Institute received more grants from 26 new organizations (CHEO Research Institute, 2018b). While there was no increase in revenues from research grants, the growth in granting organizations likely supports the increase in deferred research project contributions.

Table 4-12. CHEO Research Institute funds received from CHEO Foundation

	2016	2017	2018	2019	2020	2021
Operating Contributions from CHEO Foundation	\$4,617,000 76.2%	\$4,933,000 72.1%	\$4,818,037 85.1%	\$4,780,756 73.5%	\$5,213,750 79.0%	\$4,801,000 82.6%
Research Project Contributions from CHEO Foundation	\$1,442,059 23.8%	\$1,905,142 27.9%	\$842,044 14.9%	\$1,724,799 26.5%	\$1,387,903 21%	\$1,011,994 17.4%
Total contributions	\$6,059,059 100%	\$6,838,142 100%	\$5,660,081 100%	\$6,505,555 100%	\$6,601,653 100%	\$5,812,994 100%

Source: CHEO Research Institute (2016a, 2017a, 2018a, 2019a, 2020a, 2021a) March 31 Financial Statements

In addition to the contributions for research projects, CHEO Foundation also supports the research at CHEO Research Institute through commitments of up to \$150,000 per year until 2021 for Phase 2 of the Research Institute facility. Phase 2 of the Research Institute facility is related to an expansion completed in 2004 (Governor General of Canada, 2004). The expansion doubled the research space, including a Molecular Genetics Laboratory and Apoptosis Research Centre. While CHEO Research Institute receives contributions for research projects from CHEO Foundation, they do not receive any from CHEO.

4.2.3 CHEO Foundation and Roger Neilson House

CHEO Foundation is one of RNH's primary fundraising organizations. An agreement between RNH and CHEO Foundation was entered in 2015 for further funding to support growth in programming (Roger Neilson House, 2015b). RNH progressively receives an increasing portion of funding from CHEO Foundation. The funds received from CHEO Foundation are not directly specified but are included in other contributions on the RNH's financial statements. As a result, it is not evident how RNH allocates the contributions received from the CHEO Foundation. However, RNH does report CHEO Foundation contributions as an investing activity in their cash flow statement in 2019 and 2021. Both RNH and CHEO Foundation have different year-ends, adding to the challenge of knowing the portion of funding from CHEO Foundation that RNH records.

4.2.4 CHEO and CHEO Research Institute

As shown in Table 4-13, CHEO provides contributions to CHEO Research Institute. CHEO distributes a smaller portion of contributions to CHEO Research Institute compared to CHEO Foundation. From 2018 CHEO distributes a steady amount, \$301,300, of contributions to CHEO Research Institute. The financial relationship, with CHEO providing contributions to CHEO Research Institute, reflects the mission and strategic directions of CHEO (CHEO, 2018c). In 2018, CHEO underwent an extensive strategic planning exercise that emphasized the importance of research in their mission and strategic directions.

Table 4-13. CHEO contributions to CHEO Research Institute

	2016	2017	2018	2019	2020	2021
Operating Contributions from CHEO	\$0	\$0	\$301,300	\$301,300	\$301,300	\$301,300
Operating Contributions from Related Parties	\$4,617,000	\$4,933,000	\$5,119,337	\$5,082,056	\$5,517,376	\$5,102,300

Source: CHEO Research Institute (2016a, 2017a, 2018a, 2019a, 2020a, 2021a) March 31 Financial Statements

The CHEO Research Institute recognizes the contributions from CHEO as revenues while the CHEO financial statements record these as an expense. Due to the small amount, it is appropriate for CHEO that these contributions not be separately identified, but are combined with supplies and other expenses.

Having identified transfers among the CHEO group of entities related to revenue and expense categories, the next sections address aspects of their financial relationships that are reflected in the entities' balance sheets.

4.3 Assets

This section describes financial relationships present in the asset section of the balance sheet. Assets are valuable for non-profit organizations as they provide future economic benefits that contribute to the organization's cash flows (Rossouw, 2013). The relationships include a loan agreement between CHEO and CHEO Research Institute, non-interest-bearing receivables between the CHEO group of entities, and long-term accounts receivable between CHEO Foundation and RNH.

4.3.1 Loan Agreement

The loan agreement between CHEO and CHEO Research Institute represents a finance activity that can change the size and composition of a non-profit organization's net assets and borrowings. As shown in Figure 4-2 the loan agreement between CHEO and CHEO Research Institute is a liability for CHEO Research Institute as they have a contractual obligation to pay. CHEO displays the loan agreement as an asset because they have contractual rights to receive cash. The long-term loan agreement was intended to help CHEO Research Institute manage their unrestricted shortfall (CHEO Research Institute, 2010a). The impact of the loan agreement is seen through CHEO Research Institute having reduced their deficit in unrestricted net asset from earlier.

The CHEO Research Institute entered a twenty-year interest free loan agreement with CHEO for \$1,700,000 in 2009. The interest free loan agreement has payable installments of \$85,000 annually, evident in Table 4-14. Since the loan agreement is interest free, only the principal amount of \$1,700,000 will be due over time. The long-term nature of the loan allows for CHEO

Research Institute to establish a financial position that aligns with their strategies of growth. CHEO Research Institute has grown through expansion in the CHEO Research Institute facility supported by CHEO and CHEO Foundation. Furthermore, a benefit is that CHEO Research Institute has more opportunity for research to allow for the growth seen in integration of research across CHEO and discoveries being translated into patient care (CHEO Research Institute, 2017b).

Figure 4-2. CHEO Research Institute and CHEO Loan Agreement

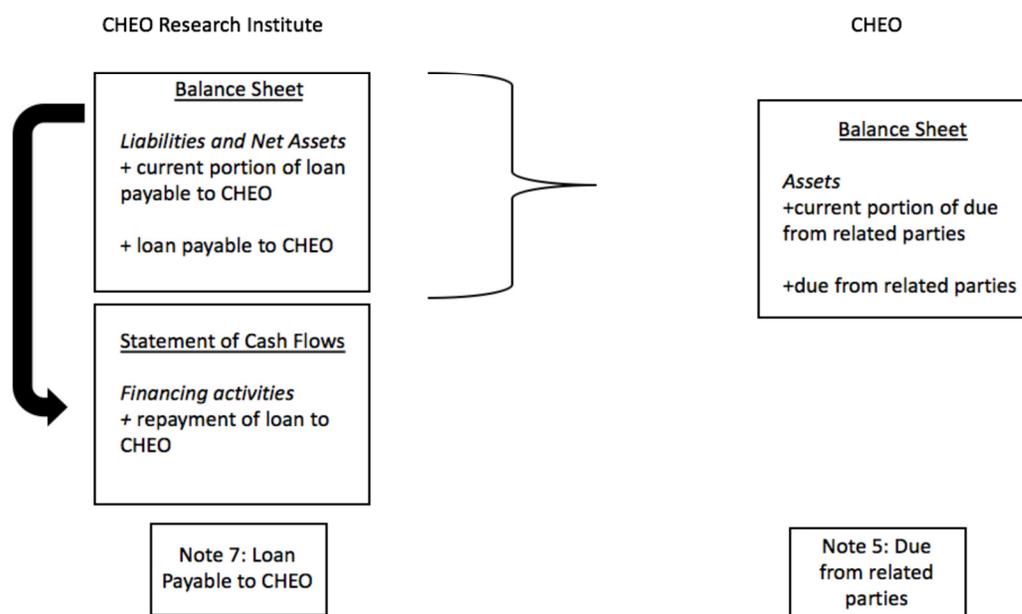


Table 4-14. CHEO and CHEO Research Institute Loan Agreement

	2016	2017	2018	2019	2020	2021
Current portion of loan agreement	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000
Long-term portion of loan agreement	\$1,020,000	\$935,000	\$850,000	765,000	\$680,000	\$595,000
CHEO Research Institute loan payable	\$1,105,000	1,020,000	\$935,000	\$850,000	\$765,000	\$680,000

Source: CHEO Research Institute (2016a, 2017a, 2018a, 2019a, 2020a, 2021a) March 31 Financial Statements

4.3.2 Non-interest receivable

Table 4-15 presents CHEO’s non-interest-bearing receivables from the CHEO Foundation and the CHEO Research Institute. The non-interest-bearing receivables are short-term, therefore recorded under current assets on the CHEO financial statements. In CHEO’s 2016 and 2017 financial statements, the receivables are distinguished between those due from the CHEO Foundation and CHEO Research Institute. In subsequent years, the receivables are combined as due from related parties, with the distinction between the CHEO Foundation and CHEO Research Institute reported in the notes. In 2018 and 2021, CHEO had a payable to CHEO Research Institute rather than a receivable. CHEO has a larger non-interest receivable with CHEO Foundation compared to CHEO Research Institute. During the six years, the non-interest receivable from CHEO Foundation had seen a substantial increase, while that from CHEO Research Institute remains steady.

Table 4-15. Non-Interest Receivable from CHEO Foundation

	2016	2017	2018	2019	2020	2021
Due from CHEO Foundation	\$1,868,000 23.8%	\$2,239,000 23.7%	\$852,000 16.2%	\$2,758,000 40.0%	\$3,988,000 56.6%	\$1,646,000 51.6%
Due from CHEO Research Institute	\$533,360 6.8%	\$898,472 9.5%	(\$619,396) 0%	\$680,673 9.9%	\$692,279 9.7%	(\$527, 219) 0%
Total portion due from related parties	\$7,836,000	\$9,457,000	\$5,251,000	\$6,887,000	\$7,177,000	\$3,192,000

Source: CHEO (2016a, 2017a, 2018a, 2019a, 2020a, 2021) March 31 Financial Statements

In earlier years the CHEO Foundation had not distinguished the non-interest bearing receivable and payable. All related parties’ transactions were recognized as non-interest bearing and due on demand. In 2020 an amount was recognized for all related parties’ transactions and recorded in accounts payable and accrued liabilities. However, the amounts are not distinguished between the different related parties.

The CHEO Research Institute financial statements recognize CHEO’s non-interest-bearing receivable as a payable, as shown in Table 4-16. The non-interest-bearing payable is related to the building infrastructure and support, along with insurance coverage, that CHEO bills back to the CHEO Research Institute on a cost recovery basis. In 2018 and 2021, rather than a payable, the CHEO Research Institute had a receivable from CHEO, likely associated with CHEO Research Institute paying back more than required. As a result, CHEO decided not to bill back CHEO Research Institute for specific services. In contrast, the CHEO Research Institute is in a receivable position against the CHEO Foundation during all six years.

Table 4-16. CHEO Research Institute Receivable and Payable

	2016	2017	2018	2019	2020	2021
Receivable from CHEO Foundation	\$1,187,259	\$1,529,061	\$653,182	\$222,951	\$701,403	\$477,434
Payable to CHEO	(\$533,360)	(\$898,472)	\$619,396	(\$680,673)	(\$692,279)	\$527, 219

Source: CHEO Research Institute (2016a, 2017a, 2018a, 2019a, 2020a, 2021a) March 31 Financial Statements

4.3.3 Long-term accounts receivable

The funds in CHEO Foundation’s pooled investment fund for RNH are presented in Table 4-17. These funds are classified as restricted and are recorded by RNH. RNH in 2017 and 2018 recorded a larger long-term investment because of additional investments besides the CHEO Foundation restricted fund. For example, funds transferred to CHEO Foundation’s restricted fund from the Ottawa Senators Foundation were only \$350,000 in 2018, while RHN recorded \$868,206 resulting in a difference of \$518,206. In 2019, RNH cashed in a portion of the investment fund to help improve the cash balance, resulting in an increase from \$23,318 in 2018 to \$254,659.

Table 4-17. CHEO Foundation restricted fund for Roger Neilson House

	2016	2017	2018	2019	2020	2021
Roger Neilson House long term investments	\$400,000	\$618,206	\$868,206	\$655,402	\$655,402	\$765,925
Ottawa Senators Foundation funds transferred to CHEO Foundation pooled investment fund	\$400,000	\$325,000	\$350,000	\$655,402	\$655,402	\$765,925

Source: Roger Neilson House (2016a, 2017a, 2018a, 2019a, 2020a, 2021a) March 31 Financial Statements

The restricted fund appears on the CHEO Foundation financial statements as part of their endowment fund. The ability to manage an endowment is an advantage associated with being a non-profit organization (Bowman, 2011). An endowment fund is a perpetual source of income which can be beneficial because it can be used to self-subsidize goods and services below their cost of production (Bowman, 2011).

Figure 4-3 demonstrates how the restricted fund is presented on CHEO Foundation’s and RNH financial statements. RNH had realized a goal of \$10 million for an endowment fund to cover the ongoing operating and capital costs (McCracken, 2016b). The need to ensure additional funding is available to cover operating and capital costs arises because the government does not fully fund palliative care, leaving a 40% annual shortfall (Fleming, 2021). RNH’s goal of a \$10 million endowment fund was reached in 2021 (Fleming, 2021).

4.4 Parking Agreement

Hospital foundations can be viewed as carrying on charitable activities directly and earning money for hospitals by operating services such as paid parking lots. In 2011, the CHEO Foundation entered into a parking agreement with CHEO with a lease and management agreement. The parking agreement has components that represent aspects of revenues and expenses as well as assets. Table 4-18 presents the revenues and associated expenses that the

CHEO Foundation earns through the management agreement. Fewer revenues, along with management fees and operating costs, were seen in 2020, attributed to the fact that hospital parking refrained from charging for services during the beginning of COVID-19. Therefore, in 2020, earned parking revenue is less than the portion distributed to CHEO because the CHEO Foundation provided additional parking revenue to CHEO that had already been collected in previous years.

Figure 4-3. CHEO Foundation restricted fund for Roger Neilson House

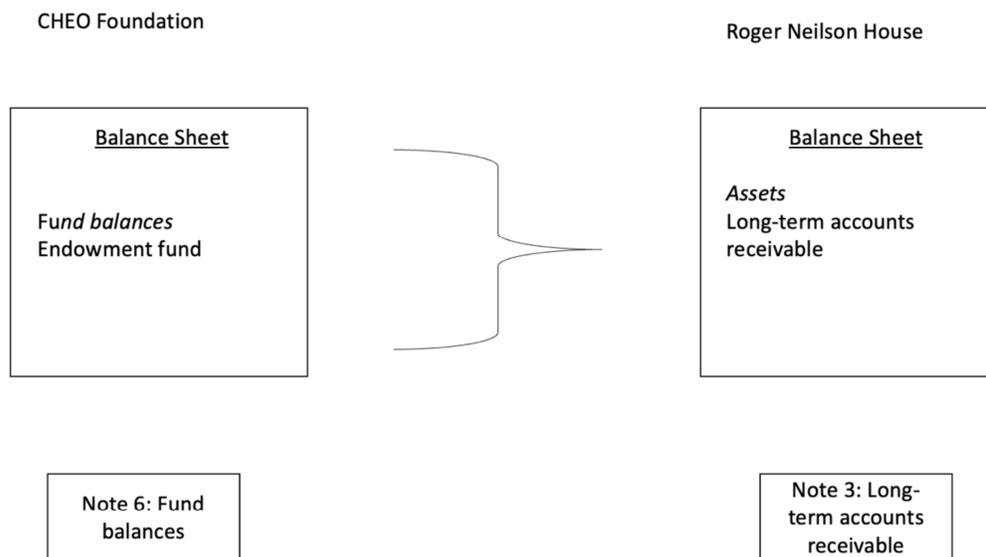


Table 4-18. Parking Revenue and distribution to CHEO

	2015	2016	2017	2018	2019	2020
Parking revenue	\$3,901,642	\$4,084,691	\$4,275,693	\$4,444,193	\$4,578,751	\$2,493,376
Lease Expense	\$919,768	\$928,800	\$928,908	\$1,069,339	\$968,875	\$965,506
Management Fees & Operating Costs	\$473,765	\$480,114	\$472,221	\$681,872	\$686,813	\$374,006
Portion retained by CHEO Foundation	\$64,065	\$385,453	\$798,017	\$2,120,651	\$0	-
Portion distributed to CHEO	\$2,444,134	\$2,289,324	\$2,098,547	\$572,331	\$4,000,000	\$3,000,000

Source: CHEO Foundation (2015, 2016a, 2017a, 2018a, 2019a, 2020a) December 31 Financial Statements

In 2018, a noticeably smaller amount was distributed to CHEO for capital and programs, while management fees and operating costs saw a substantial increase. Retaining a larger portion likely contributed to the CHEO Foundation’s ability to cope with their decrease in revenues in 2018.

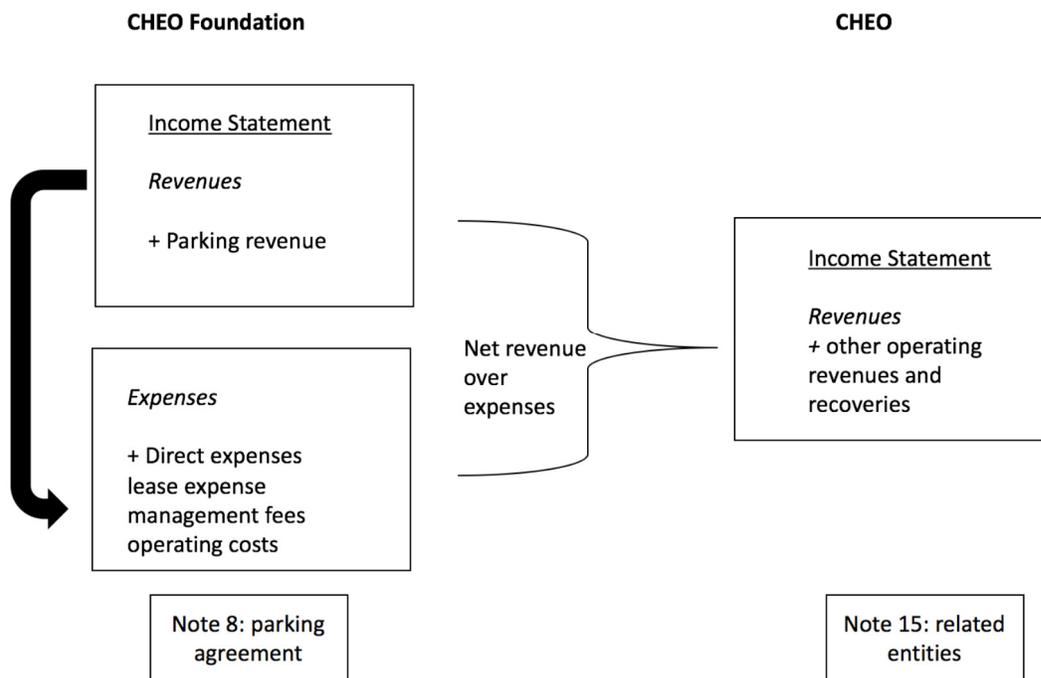
The description of the parking agreement is presented on the CHEO Foundation’s financial statements, combined with miscellaneous revenue. Presented in Figure 4-4 parking operations are directly related to the CHEO Foundation operations by generating revenue used towards assisting CHEO. It is advertised that all revenues coming from parking are used to buy medical equipment, support various programs, and build new care environments. In CHEO’s financial statements, the only mention of parking revenues from the CHEO Foundation appears in the note on related party transactions.

The asset reported by CHEO related to the parking agreement is the parking facility land, with CHEO having two visitor parking lots. CHEO owns the land for the parking facility and the CHEO Foundation pays CHEO \$77,400 per month according to the current lease agreement. The lease agreements have been historically negotiated every three years and the current one ended as of March 31, 2021.

4.5 Services and Administrative Fees

Administrative services are addressed as a financial relationship. This reflects that revenue may also be recognized as a benefit earned because of a service (Scot, 2010). The reason the administrative services are recognized as a financial relationship compared to the other in-kind services, where there is no attached monetary value occurring in the transfer, is because of the annual fee associated with the administrative services.

Figure 4-4. CHEO and CHEO Foundation Parking Agreement



The administrative services occur between CHEO and CHEO Research Institute. CHEO provides administrative services to the CHEO Research Institute for an annual fee. The administrative services include financial accounting, human resources, material management,

occupational health, decision support, and information systems. Table 4-19 shows a significant increase in the annual fee from 2017 to 2018 likely attributed to the addition of occupational health and decision support services. However, the value of adding these additional administrative services to the annual fee is not described in the financial statements notes.

Table 4-19. CHEO Research Institute fee to CHEO for administrative services

	2016	2017	2018	2019	2020	2021
Annual fee paid to CHEO	\$60,000	\$60,000	\$389,500	\$395,500	\$395,500	\$395,500

Source: CHEO Research Institute (2016a, 2017a, 2018a, 2019a, 2020a, 2021a) March 31 Financial Statements

CHEO’s larger staff resources can help perform the administrative services for the CHEO Research Institute. Furthermore, CHEO has experience with providing certain administrative services for the other CHEO group of entities. As identified previously, RNH has already transitioned their information system and payroll to CHEO and is utilizing these services.

Transactions occurring among the CHEO group of entities are reflected in the revenues, expenses, assets, and liabilities in their financial statements. These transactions represent the financial nature of the inter-organizational relationships between the CHEO group of entities. The financial relationships demonstrate the close nature of the relationships among the CHEO group of entities. The findings presented in this chapter show how the CHEO group of entities have worked together collaboratively. The nature and implications of these relationships are explored in additional depth in the following chapter.

CHAPTER 5: ANALYSIS AND DISCUSSION

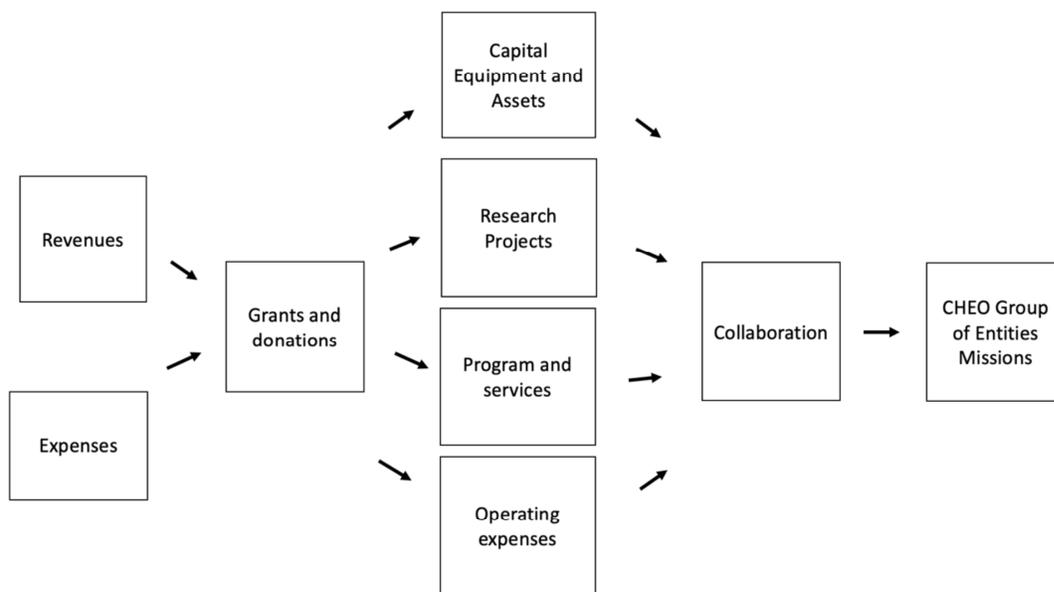
Chapter 5 elaborates on the findings presented in Chapter 4 by analyzing the identified themes of revenues, expenses, assets, and liabilities. The analysis and discussion in this chapter are broken down into themes of collaboration, interdependence and dependence; and mutually rewarding outcomes. Collaboration is demonstrated by allocating grants and donations for specific purposes. Interdependence and dependence are based on the contributions and financial relationships seen with the assets and liabilities, indicating the reliance of the organizations on each other for continued operations. Mutually rewarding outcomes between the CHEO group of entities are demonstrated through their combination of resources to manage parking arrangements and administrative services.

5.1 Collaboration

Non-profit organizations are faced with the dual tasks of achieving mission-related goals and ensuring a healthy financial environment for organizational survival (Carroll & Stater, 2008). This can be particularly challenging in periods when demand for their services is growing. Growth in children and youth populations in the Ottawa region is expected to be 30% in the next 20 years (CHEO, 2017). Growth in demand for CHEO's health services is likely to grow by at least this much. Thus it is important for the CHEO group of entities to collaborate to manage and respond to this expected growth in a financially sustainable manner. Collaboration allows the CHEO group of entities to address their individual interests and collective interests through enhancing their ability to manage capacity.

Each of the CHEO group of entities’ mission and vision statements, as outlined earlier, offers evidence of a common purpose focused on improving the lives of children and youth. This common purpose underpins shared values between the CHEO group of entities, contributing to the effectiveness of their collaboration. Figure 5-1 depicts the collaborations present among the CHEO group of entities’ financial relationships. These purposes address the self and collective interests of the CHEO group of entities. The specific purposes identified provide the CHEO group of entities with opportunities to improve their operations, leading to the overall achievement of each entity’s missions. The specific purposes supported evident in the allocations of the contributions available to the CHEO group of entities. Figure 5-1 illustrates how revenues and expenses provide funds for grants and donations which support specific purposes.

Figure 5-1. Evidence of collaboration from revenues and expenses



The specific purposes identified in Figure 5-1 are capital equipment and assets, research projects, program and services, and operating expenses. The specific purposes overlap in their use of

revenues and expenses. Revenues are used to grow and improve resources and used to cover expenses to continue operating. The CHEO group of entities does this to some extent through its balanced use of revenues.

Contributions which are allocated towards capital equipment allow CHEO Foundation and CHEO to collaborate to improve quality of care. Quality of care is enhanced as the capital equipment allows CHEO to perform examinations and procedures using equipment funded by the CHEO Foundation. In addition, specialized capital equipment is critical for CHEO to address the unique needs and illnesses faced by youth and children. For example, CHEO uses a silent saw to remove casts more efficiently while not upsetting younger children or children with sensory sensitivities with the noise of more typical saws (CHEO Foundation, 2019b).

Furthermore, CHEO uses specialized biliblankets to treat newborns with jaundice (CHEO Foundation, 2020b). Capital assets such as these are connected to CHEO's strategies of focus and impact through improvements in their facilities. Through these collaboratively acquired assets the hospital's ability to provide connected care for patients is enhanced.

Regular communication among the CHEO group of entities is essential for effective collaboration among them. The importance of communication is recognized among the leaders of the CHEO group of entities. This is evident in the open and honest dialogue between the President and CEO of both CHEO and CHEO Foundation, the CEO and Scientific Director of CHEO Research Institute, and the Executive Director of RNH (The Discovery Group, 2019). Communication allows CHEO to address certain needs related to capital equipment. When the CHEO Foundation is made aware of the specific needs of CHEO, they can work with corporate

donors or individuals to raise the necessary funds (CHEO, 2010b). For example, CHEO's catheterization lab needed to be upgraded. The CHEO Foundation connected with corporate sponsor, Canadian Pacific. Canadian Pacific agreed to match donors contributions as part of their sponsorship of the CP Women's Open LGPA event (CHEO Foundation, 2017b), effectively doubling the donation. Furthermore, when CHEO needed new x-ray machines, CHEO Foundation worked with LCBO to acquire the x-ray machines (CHEO, 2020b). In addition to capital equipment and assets, other specific purposes, such as research, also support the provision of care to children and youth.

Research is a critical part of CHEO Research Institutes' mission, while providing programs and services is an important aspect of CHEO's mission. CHEO Foundation's contributions towards research projects are specifically directed to the CHEO Research Institute. While CHEO does not provide financial contributions towards research projects, CHEO collaborates in the research projects at CHEO Research Institute by creating opportunities for patients and families to be involved in the research conducted. In addition to supporting research activities, the CHEO Foundation also directs contributions to CHEO that facilitate the delivery of a variety of programs and services, including those related to eating disorders, autism, psychiatric mental health, sexual assault, telepsychiatry, and early language development.

Financial contributions directed to capital equipment and assets, research projects, and programs and services are intended to improve patient care directly. Financial contributions directed to operating expenses support CHEO's operating efficiency, and indirectly benefit patient care. During COVID-19 additional operating costs to provide items such as personal protective

equipment, ventilators, and other capital equipment and supplies have been incurred. A grant provided from CHEO Foundation to CHEO, specifically for operating costs of the CHEO Research Institute facility, demonstrates collaboration among the organizations to address operating costs.

Activities such as those identified above demonstrate inter-organizational collaboration. The grant from the CHEO Foundation to CHEO demonstrates a commitment to the collective interests of the CHEO group of entities. The Research Institute facility provides a space to learn and establish new discoveries that benefit the care provided by CHEO. The grant indicates one way the CHEO Foundation supports the other CHEO group entities. Supporting the CHEO group entities is part of CHEO Foundation's mission, which appeals to donors. Non-profit organizations are seen as more efficient when their operating budget is focused toward mission-based programs. When this is the case they generally receive larger contributions (Mirae, 2017). Difficulties in collaboration have been found to occur more commonly when there are conflicts between organizational and collective goals (Auschra, 2018). This is not the case with the CHEO group of entities. The nature of grants from the CHEO Foundation align with the interests of all entities within the CHEO group of entities, which serves to limit challenges to collaboration that might otherwise arise.

The grants and donations provided by CHEO Foundation provide resources that benefit the other organizations within the CHEO group of entities. The repeated interactions that occur through the distribution of contributions from the CHEO Foundation assists in developing inter-organizational trust. Trust is also fostered through ongoing communications between the CHEO

group of entities, for example, communications related to capital equipment needs. Trust has been recognized as a crucial aspect of collaboration (Thomson et al., 2007; Chengxin & Mirae, 2021).

Having addressed collaboration among the CHEO group of entities, Sections 5.2 and 5.3 turns to address additional elements of inter-organizational relationships. Section 5.2 examines organizational interdependence and dependence. Section 5.3 addresses the mutually rewarding outcomes that are important in advancing collaboration in inter-organizational relationships.

5.2 Interdependence and dependence

Each of the CHEO group of entities possesses different resources and skills that lead to various amounts of interdependence to achieve their missions. Interdependence is developed between the CHEO group of entities in relation to their mission in research and programs, and mission in operations. Furthermore, interdependence associated with assets is also observed in the financial relationships among the CHEO group of entities. These financial interdependences among the CHEO group of entities are addressed in the following subsections.

5.2.1 Contributions by CHEO Foundation to other entities

The CHEO Foundation distributes its revenues to the other CHEO group of entities in the form of contributions. These contributions are an important aspect of the financial relationships among the entities. In financial reporting it is important to present how contributions are used because donors want to know that non-profit organizations use those contributions in meaningful,

effective, and efficient ways (Hofmann & McSwain, 2013). As noted above, grants and donations are used towards specific purposes that meet self and collective interests. This helps demonstrate the effective use of these contributions. Not all funds collected in a particular year are distributed immediately, however. Table 5-1 illustrates that while more than half of the CHEO Foundation’s revenue is distributed to the other CHEO entities each year, the remaining revenues become part of CHEO Foundation’s fund balance. A decrease in the overall portion of contributions the CHEO Foundation provides the other CHEO group of entities in a particular year has the effect of increasing the Foundation’s fund balance. A benefit of growing an organization’s fund balance is that it provides a financial cushion that results in less financial volatility (Carroll & Stater, 2008). In addition, increasing the fund balance of the CHEO Foundation demonstrates a greater ability for it to support the other CHEO group of entities in the future. This helps to buffer the CHEO group of entities from the many external and internal factors identified previously as impacting hospitals.

Table 5-1. CHEO Foundation revenues distributed to CHEO group of entities

	2015	2016	2017	2018	2019	2020
Excess of revenue over expenses before grants	\$18,397,624	\$18,366,366	\$24,050,594	\$19,760,454	\$29,433,310	\$31,866,539
Total portion of contributions distributed to CHEO group of entities	\$16,831,603,000 91.5%	\$15,806,165 86.1%	\$16,747,994 69.6%	\$14,820,798 75.0%	\$17,059,457 58.0%	\$20,967,936 65.8%

Source: CHEO Foundation (2015, 2016a, 2017a, 2018a, 2019a, 2020a) December 31 Financial Statement

Non-profit organizations frequently utilize a greater mix of revenue sources compared to for-profit organizations (Anheier, 2005). A mix of revenue types assists non-profits in reducing their dependence on only one source of revenue. CHEO group of entities demonstrated taking

advantage of various types of revenues to limit the impact of decreased contributions from the CHEO Foundation. Table 5-2, Table 5-3, and Table 5-4 show how each of the CHEO group of entities are impacted differently by decreases in contributions from the CHEO Foundation. Each entity is impacted differently as contributions from the CHEO foundation represent different portions of their revenue.

The revenue received from the CHEO Foundation represents a small portion of CHEO’s overall sources of revenue (see Table 5-2). As a result, CHEO would still be able to operate even with a decrease in contributions from CHEO Foundation. CHEO has continued to grow both their patient service revenues and other funded program revenues received from the federal and provincial government.

Table 5-2. CHEO Foundation contributions to CHEO

	2016	2017	2018	2019	2020	2021
Portion of revenue from CHEO Foundation	\$10,337,890 4.2%	\$10,131,317 3.6%	\$11,946,512 3.9%	\$9,234,178 2.9%	\$12,968,102 4.0%	\$12,723,380 3.7%
CHEO total revenues	\$245,631,000	\$279,649,000	\$302,473,000	\$313,092,000	\$321,420,000	\$340,114,000

Source: CHEO (2016a, 2017a, 2018a, 2019a, 2020a) March 31 Financial Statements

A decrease in contributions from the CHEO Foundation would impact the CHEO Research Institute more significantly due to a greater portion of its revenues coming from CHEO Foundation contributions (see Table 5-3). The CHEO Research Institute has been able to increase its revenue from other income sources, such as that coming from investments. The CHEO Research Institute recognizes interest earned on restricted contributions as investment income. However, the CHEO Research Institute has less opportunity to earn revenue from

operations as it, unlike CHEO and RNH, does not offer services. This makes contributions from CHEO Foundation more important to CHEO Research Institute to support its financial position and allow it to accumulate funds towards investments and capital assets.

Table 5-3. CHEO Foundation contributions to CHEO Research Institute

	2016	2017	2018	2019	2020	2021
Portion of revenue from CHEO Foundation	\$6,059,059 22.6%	\$6,838,142 23.7%	\$5,660,081 22.9%	\$6,505,555 21.9%	\$6,601,653 24.6%	\$5,812,994 17.3%
CHEO Research Institute total revenues	\$26,756,562	\$28,800,434	\$24,659,341	\$29,601,836	\$26,782,572	\$33,556,532

Source: CHEO Research Institute (2016a, 2017a, 2018a, 2019a, 2020a) March 31 Financial Statements

RNH has seen a growth in reliance on contributions from CHEO Foundation due to these contributions representing an increased portion of RNH’s total revenues (see Table 5-4). When examining the contributions RNH receives from CHEO Foundation it is important to ensure the amounts are comparable. RHN has a March 31 year-end while the CHEO Foundation has a December 31 year-end. For this reason, the previous year’s portion of revenues from CHEO Foundation was matched with RHN’s year as it would be more representative of RHN’s total revenues in their fiscal year.

The growth in the portion of revenue from the CHEO Foundation addresses the growth in the financial needs of RNH to meet increasing demand. To accommodate the increasing demands, CHEO Foundation has increased its allocation towards RNH’s programs and services.

Furthermore, the increased portion of RNH’s revenue from CHEO Foundation contributions evident in 2018 allowed RNH to cope with a noticeable decrease in cash.

Table 5-4. CHEO Foundation contributions to Roger Neilson House

Y/E December 31	2015	2016	2017	2018	2019	2020
Portion of revenue from CHEO Foundation	-	\$209,274 10.0%	\$223,571 10.1%	\$812,074 29.5%	\$1,218,552 40.9%	\$986,149 26.8%
Y/E March 31	2016	2017	2018	2019	2020	2021
Roger Neilson House total revenues	\$1,881,334	\$2,094,373	\$2,220,751	\$2,754,713	\$2,975,677	\$3,677,020

Source:

Roger Neilson House (2016a, 2017a, 2018a, 2019a, 2020a, 2021a) March 31 Financial Statements
 CHEO Foundation (2015, 2016a, 2017a, 2018a, 2019a, 2020a) December 31 Financial Statements

Relying on the CHEO Foundation for contributions demonstrates power asymmetries. Power imbalances are identified as a barrier to effective inter-organizational collaboration (Auschra, 2018). CHEO Research Institute can manage some of the power asymmetry in its relationship with the CHEO Foundation by reducing their dependence on the Foundation and by increasing their revenue from other sources. As a result, revenue diversification is beneficial to non-profit organizations because it reduces dependence on one source of revenue, which minimizes the impact on overall revenue in the event of drastic decline by one revenue source.

Donors are frequently interested in seeing the disbursement of contributions from CHEO Foundation to the other CHEO group entities. Donors interest in these contributions is evident in the CHEO Foundation’s use of the restricted fund method of accounting. The CHEO Foundation records the majority of its contributions under restricted funds. The use of restricted funds in the financial statements indicates those resources are to be used for an identified purpose as specified by the donor. Morgan & Cohen (1993) stated that hospital foundations rarely collect for a hospitals’ general revenue, likely due to donors being less enthusiastic about supporting routine expenses. There is a willingness by the community to provide support to hospitals, especially during COVID-19. Donors’ willingness to support hospitals has been seen with increased gifts in-kind towards specific hospital needs because of the pandemic. Additionally, at the beginning

of COVID-19, community donors were acknowledged to have reached out to provide gifts in-kind to essential staff (CHEO, 2021b).

5.2.2 Use of funds for their mission in research and programs

The different missions of the CHEO group of entities mean there are different needs to which contributions are put. As a tertiary care hospital, CHEO was recognized to have provided 91% of pediatric tertiary/care admissions, 89% of inpatient surgeries, and 88% of acute patient care days within their LHIN (CHEO, 2017c). Not all CHEO's programs are government funded, such as its Child Life program, asthma program, and social work program (Ottawa Business Journal, 2021). Contributions are crucial to satisfy the demands of programs such as these that are not government funded, as they are reliant on community donations (Ottawa Business Journal, 2021). Compared to CHEO's needs, RNH provides programs associated with palliative care. Thus one of the CHEO Foundation's funds for RNH supports the needs associated with their various programs and services, such as counselling, respite, and end-of life care (Roger Neilson House, 2021).

In contrast to CHEO and RNH, CHEO Research Institute's intent is to promote research related to child and youth health. The CHEO Foundation supports CHEO Research Institute's mission by providing contributions for research projects. The research accomplished at CHEO Research Institute can be seen as valued by the CHEO Foundation because one of the largest portions of funding distributed by the CHEO Foundation is directed to research grants and programs. This has continued during the pandemic, with CHEO Research Institute having pursued a variety of research surrounding COVID-19.

5.2.3 Use of funds for their mission in operations

Some of the revenues from CHEO Foundation's contributions are used by CHEO towards operating expenses. Both CHEO and CHEO Research Institute use contributions from CHEO Foundation towards operating expenses to benefit their missions. RNH is the only organization within the group aiming to cover its own operating costs without contributions from CHEO Foundation. Shifting administrative and fundraising costs to a separate entity like the CHEO Foundation allows the other entities to demonstrate a greater proportion of their funding is applied to programs. Having higher program service expenses may allow non-profit organizations to appear more efficient to stakeholders (Krishnan & Yetman, 2011). As the CHEO group of entities continues to grow, more operating expenses will be incurred.

While COVID-19 saw hospitals incur increases in operating expenses, it did not result in an increase in the allocation of CHEO Foundation contributions towards operations. CHEO has been able to secure additional funding for these costs from governments. Furthermore, CHEO was able to direct unused revenues from funded programs to cover expenses for COVID-19. Support from the CHEO Foundation during the pandemic instead provided growth opportunities for some of CHEO's projects, as is evident in the increase in contributions for special purpose funds.

CHEO Research Institute funding from the government supports researchers and their direct activities, making CHEO Foundation's contributions towards operations particularly important. While a portion of contributions from the CHEO Foundation is used towards expenses, CHEO

and the CHEO Research Institute have experienced an increase in total expenses. Carroll & Stater (2008) identified total expenses to have a statistically significant influence on revenue volatility. Total expenses are identified as a measure of organizational growth potential, reflecting that non-profit organizations with greater growth potential experience greater revenue stability (Carroll & Stater, 2008). CHEO continues to demonstrate growth through the amalgamation with OCTC, and most recently CHEO is undergoing development of 1door4care. The intent behind 1door4care is to establish one specific location to provide critical treatment and rehabilitation services for children and youth with special needs. In addition to providing more convenient care, it also offers significant cost savings through fewer lease agreements and reduced rental costs.

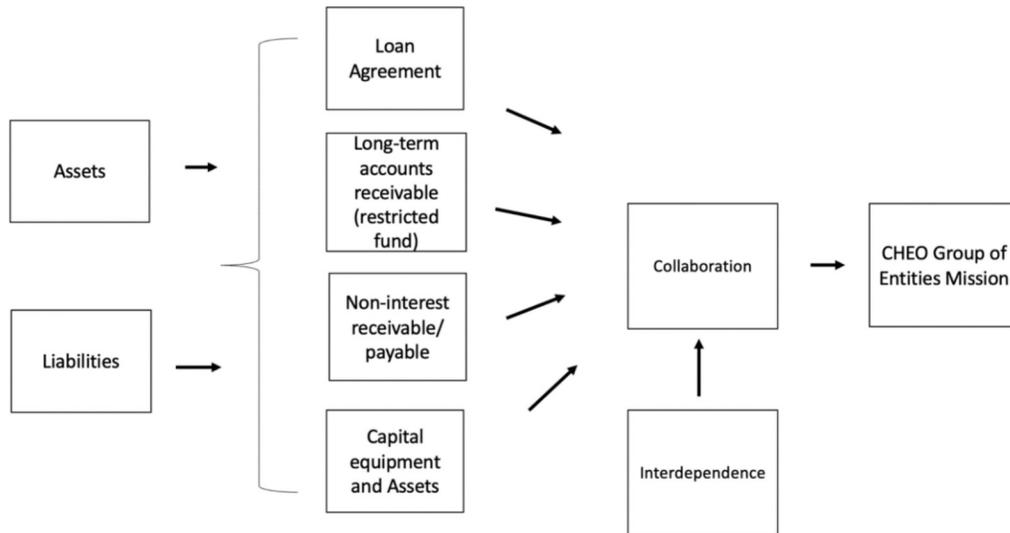
5.2.4 Collaboration with assets

Collaboration also allows organizations to acquire resources through the transfer of assets (Hardy et al., 2003). The interdependency between the CHEO group of entities is evident in financial relationships linked to assets. Interdependency shows that organizations are dependent on each other to solve shared tasks (Christensen, 2016). Figure 5-2 summarizes each asset relationship that establishes interdependence between the CHEO group of entities, impacting the level of collaboration. Furthermore, each of the asset relationships represents an ongoing commitment related to the sharing and transferring of resources. These ongoing arrangements indicate the formality of the collaborations among the entities.

The presence of the loan agreement between CHEO Research Institute and CHEO demonstrates interdependency due to its being both non-interest bearing and long-term. A long-term loan

provides flexibility to CHEO Research Institute because they are provided with a source of capital for an extended period. The capital strengthens the CHEO Research Institute’s financial position to meet long-term objectives. The loan demonstrates financial support through working capital. Working capital support has been seen by Fleming & DeVita (2001) to allow for capacity building that is more flexible as it provides flexibility in how the organization uses the funds.

Figure 5-2. Development of collaboration from assets and liabilities



Karam et al. (2018) recognize that trust is built over time. Due to its long-term nature, the loan agreement between CHEO and CHEO Research Institute provides an opportunity to foster trust. CHEO provides an amount to CHEO Research Institute every year as part of the loan agreement, that than later CHEO Research Institute pays back to CHEO. This represents a continuing instance of collaboration. Over the twenty years of the loan, CHEO and CHEO Research Institute may demonstrate a confidence that the amounts will be provided. Trust in inter-

organizational relationships helps sustain the willingness to collaborate (Palumbo et al., 2020). The current portion of the loan agreement allows CHEO to manage their working capital deficit (seen beginning in 2018) by providing a consistent increase in current assets. It is particularly important to maintain positive working capital for CHEO to have cash to pay any current obligations. The importance of positive working capital is seen through CHEO receiving one-time funding in 2021 from the Ministry of Health for the specific purpose of reducing the working capital deficit.

The CHEO Foundation's restricted fund for RNH also demonstrates a formal agreement used to clearly recognize responsibilities in the collaboration. Providing clarity to each organization of their roles contributes towards building trust for greater interdependence. RNH has continuously benefited from CHEO Foundation's help in meeting its endowment fund goal. CHEO Foundation in 2016 supported RNH's endowment goal to raise \$3.3 million towards the endowment fund (McCracken, 2016b). Covering operating and capital costs from the endowment fund, less reliance on other organizations for funding is needed. Less reliance by RNH on the CHEO Foundation allows the Foundation more opportunity to direct funds to the other members of the CHEO group of entities.

Both the loan agreement and restricted fund arrangement support the generation of future economic benefits. In contrast, the non-interest bearing term of the receivable may be seen as an asset to fulfil the broader objectives of the CHEO group of entities. The CHEO Foundation has a crucial role in supporting the other CHEO group of entities' operations. The fact the receivable held by the CHEO Foundation is non-interest bearing helps ensure they have the capabilities to

continue generating donations for distribution to other CHEO group of entities. The fact the non-interest bearing receivable is short-term allows the amounts of the receivables to vary as needed throughout the year.

The non-interest bearing receivables and the current portions of the loan agreement allow CHEO to manage its working capital deficit. Recognizing the non-interest bearing receivables and current portion of the loan provides CHEO with current assets to offset their current liabilities. Greater interdependency through increased financial integration allows for more collaboration and lower opportunism in inter-organizational relationships (Palumbo et al., 2020).

The physical locations of the CHEO group of entities offer opportunities for collaboration to occur by allowing greater integration of operations and access to each other, which assists in understanding each other needs. Capital funding is especially critical as health care organizations that prioritize capital investment such as in facilities and technologies have been linked to improved quality of care (Teja et al., 2020). Improving the quality of care can be linked to CHEO's mission of providing exceptional care and its vision of the best life for every child and youth. CHEO capital contributions are utilized for capital equipment and capital assets such as land and buildings. CHEO Foundation had a large amount attributed to capital equipment, and a portion was transferred to deferred contributions for capital assets. Growth in capital assets related to building is evident in 2018 and 2019, and major equipment purchases in 2017 and 2019 reflect the intention of continuing to provide exceptional care for children and youth.

The inter-organizational financial relationships involving assets demonstrate interdependence between the CHEO group of entities. These transactions offer support in developing stronger financial positions, and encourage long-term sustainability, both of which foster opportunities for improving patient care help.

5.3 Mutually rewarding outcomes

Thomson et al. (2007) identified mutuality as having a connection to interdependence, with mutually beneficial interactions identified as part of collaboration. Mutual benefits encourages the organizations involved to continue collaborating. The ability to meet each of their needs helps develop complementary goals or a shared vision, which contributes to the success of collaboration (Proulx et al., 2014). Organizations that collaborate create mutually beneficial interdependencies based on differing interests, known as complementarities, or shared interests (Thomson et al., 2007). The parking agreement and administrative services demonstrate mutual benefit to both organizations through the combination of resources. Mutual benefit through the parking agreement and administrative services encourages collaboration. Mutual benefits support collaboration by demonstrating interconnectedness between organizations (Chengxin & Mirae, 2021).

5.3.1 Parking agreement

As mentioned earlier, mutuality draws on interdependence based on differing interests, known as complementarities, or shared interests. Mutuality allows for the forging common views out of differences (Thomson & Perry, 2006). CHEO and CHEO Foundation, as identified, have a

shared interest, which can be recognized through the parking agreement. Revenues generated from the parking agreement align with the shared interests and are used towards improving the care of children and youth. Shared interests are addressed because both CHEO and CHEO Foundation resources are used as part of the parking agreement. CHEO owns the parking facility, while CHEO Foundation uses its resources to run the parking facility.

As a related business, the proceeds from the parking agreement benefit CHEO by contributing to the effectiveness of the programs and improving the quality of services offered. When the revenue from parking is not used specifically for one purpose, it makes it unrestricted.

Unrestricted revenue can assist more with mission-driven activities (Scott, 2003). A benefit for the CHEO Foundation is that through the management of the parking facility, the CHEO Foundation can deliver on its mission of supporting the other CHEO group entities. As well, the CHEO Foundation can use a portion of the retained revenue negotiated with CHEO for its own purposes.

Parking revenue provides opportunities to support mission-driven activities. Prior to COVID-19, there had been a steady increase in parking revenue associated with an increase in patient visits. We know the increase was due to patient visits because the Ontario government put a freeze on parking rates beginning in 2016 for the following three years (CBC News, 2016). The purpose of the freeze was to make parking more affordable for patients to ensure it was not seen as a barrier to patient care. Commercial sources of revenue, such as parking, are beneficial as they are found to be more financially stable compared to contributed sources of revenue, such as donations, that are more unpredictable (Carroll & Stater, 2008). However, caution is needed with commercial

revenue because of the possibility of losing the essence of non-profit organizations by becoming more like business firms, with less regard for their social missions (Froelich, 1999). CHEO looks to mitigate challenges to access to care related paying for parking by having a fund that may cover certain expenses for families in need, including parking.

Parking revenue responds to impacts in both the external and internal environment. The need in the external environment for parking revenue also impacts the internal environment because, for the non-profit organization to be effective, coordination in their internal processes is required (Iwu et al., 2015). The parking agreement clarifies the roles and responsibilities of CHEO and CHEO Foundation, creating more coordination to allow for the organizations to collaborate. In addition, the agreements attached to parking offer opportunities for the shared goals of CHEO and the CHEO Foundation to be met by holding the CHEO Foundation responsible for securing and distributing revenues to CHEO.

5.3.2 Administrative services

Like the parking agreement, sharing administrative services requires creating clear roles and responsibilities. The agreement for administrative services sets out clear guidelines that reduce uncertainty between CHEO and the CHEO Research Institute. CHEO benefits from providing administrative services to earn revenue through the fee charged to CHEO Research Institute. CHEO Research Institute benefits by being able to focus on its core research activities, while having its administrative needs met. Greater commitment to shared administrative resources and effort has been seen over the six-year period examined. CHEO has increased the administrative services provided to the CHEO Research Institute. Having CHEO take over some of the

administrative services allows the CHEO Research Institute to focus on research-related aspects of their operations.

In addition to clarifying roles and encouraging mutual benefits, the parking and administrative services agreements help to align organizational structures among the CHEO group of entities. More compatible organizational structures allow greater opportunity for inter-organizational collaboration to occur because they align views on employment, accountability, and hierarchies (Auschra, 2018).

5.4 Complexity and consequences of the financial arrangements

While the CHEO group of entities' financial relationships provide evidence of collaboration, it is also necessary to address the implications of these financial relationships. The implications are both long-term and short-term. Factors identified in hospital and hospital foundations' internal and external environments may be attributed to the implications of the financial relationships.

Hospitals have experienced financial constraints from their external environment in the form of limited government funding. One long-term implication of limited funding was that it prompted CHEO to implement changes in their internal environment to the structure of their operations to cope with the financial constraints. Structural changes can be seen through the introduction of CHEOworks, a lean-management system. To be able to provide the necessary patient care within the financial constraints, the purpose of CHEOworks is to reduce wait times and save jobs (Duffy, 2016). Since its implementation in 2016, the impact of CHEOworks may be seen through a decrease in the portion of total expenses associated with medical and surgical supplies

expenses and drugs and medical gases. In 2021, however, these expenses increased due to COVID-19.

Another long-term implication of the external funding constraints is that CHEO has undergone renovations to their facilities to operate efficiently. In 2017 CHEO completed renovation and expansion of their Surgical Day Unit and Post Anesthetic Recovery room, allowing for an increase in patients treated and reduced surgery wait times by 50% (CHEO Foundation, 2017). To accomplish the renovations, CHEO Foundation provided the necessary support through increased contributions to CHEO especially for capital equipment. In addition, support from CHEO Foundation for other special purpose funds in 2017 aligned with the increase in CHEO's recording of projects in progress in their capital assets.

An attribute identified as part of the definition of collaboration is to develop mutually beneficial interactions. CHEO providing administrative services for a fee to CHEO Research Institute is recognized as mutually beneficial. However, it has been recognized recently that this arrangement may create challenges for CHEO Research Institute in possible future growth. Part of CHEO's arrangement to provide administrative services to CHEO Research Institute involves CHEO maintaining CHEO Research Institute's information technology infrastructure. CHEO Research Institute determined recently that this arrangement might not be the most efficient one to maximize research opportunities (CHEO Research Institute, 2020c). The growth of the CHEO Research Institute requires a more comprehensive information technology plan, which is recognized as part of their 2021-2024 strategic plan. To develop solutions to establish a more comprehensive information technology plan, CHEO Research Institute has identified its intent to

conduct a third-party review of CHEO's information technology systems (CHEO Research Institute, 2020c).

To continue paying all operating and capital expenses of CHEO Research Institute initially, prior to recovering these expenses from CHEO Research Institute, it is crucial CHEO has sufficient cash flow to cover these costs. CHEO's upfront ability to cover the operating and capital expenses is seen through CHEO recording positive cashflow. As CHEO initially pays operating and capital expenses for CHEO Research Institute, an important long-term consideration is whether CHEO has enough cash.

A long-term implication of RNH being located on CHEO's land is that RNH may not be able to expand their building to keep up with a higher demand for palliative care, as is expected due to changing demographics in their external environment. Currently, RNH has only renovated the current building to provide efficient patient care. If RNH decided additional space were required to provide additional palliative care, it would need to be in a separate location. As a result, this would create challenges in finding an ideal location and add challenges for patients to navigate where to go to access services.

The 15-year agreement recently ended under which The Gatineau-Youth Foundation, formally the Ottawa Senators Foundation, transferred the remaining balance of its operating funds to the CHEO Foundation restricted fund for RNH. The \$10 million endowment goal set in 2006 at the inception of RNH, was also met in 2021. Therefore, the specific financial relationship related to the endowment has ended. An implication is that it now results in a different relationship as the

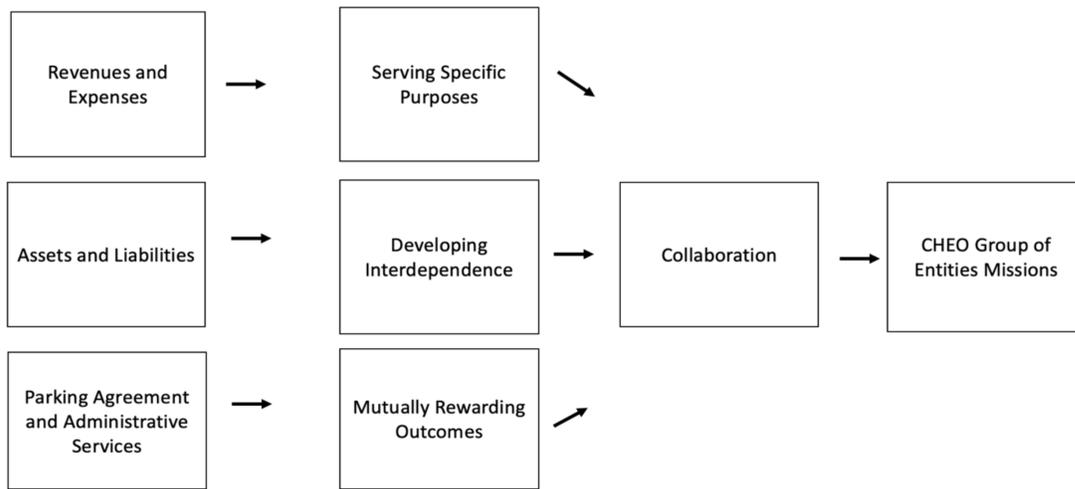
endowment fund is to be preserved and professionally managed by CHEO Foundation. The end of one phase of the relationship between CHEO Foundation and RNH has implications when establishing possible future collaborations. Engaging in repeated collaboration positively impacts trust, which is affected by the nature and quality of previous collaboration experiences (Karam et al., 2018). Thus the establishment of a new financial relationship to have the CHEO Foundation manage RNH's endowment fund helps to foster the inter-organizational relationship between the entities.

5.5 Summary of financial relationships

There is a clear willingness of the CHEO group of entities to work with each other through engaging in a range of ongoing complex and long-term relationships. Sharing or combining services and resources demonstrates ongoing relationships (Proulx et al., 2014). The sharing of resources generated by the CHEO Foundation and CHEO and the re-direction of contributions to the other CHEO group entities represents the ongoing financial relationships between the CHEO group of entities. These financial relationships are reflected in assets such as the loan agreement, non-interest bearing receivables/payables, and restricted fund balances. Combining resources also demonstrates an ongoing relationship. The parking and administrative services agreements represent different ways of combining resources across CHEO group entities. Both the sharing and combining of resources foster greater collaboration between the CHEO group of entities and illustrate their ongoing inter-organizational relationships. Figure 5-3 summarizes the collaborations established between the CHEO group of entities that support accomplishing each of their missions. Serving specific purposes, interdependence and mutual rewarding outcomes,

carried out based on trust and shared values, foster collaboration between the CHEO group and support the achievement of their collective missions.

Figure 5-3. Summary of financial relationships forming collaboration



Trust between organizations in inter-organizational relationships supports a level of autonomy. Ensuring autonomy is critical for organizations to achieve their mission (Chengxin & Mirae, 2021). Communication with each other enables the CHEO group of entities to understand shared norms to develop collaboration. To provide the necessary support the CHEO Foundation works closely with the leaders of CHEO, CHEO Research Institute, and RNH to allow for alignment (The Discovery Group, 2019). The existence of collaboration may be used towards evoking elements of relational commitment or quality and fair behaviour (Castañer & Oliveira, 2020).

The CHEO group of entities shows a high level of collaboration through their financial relationships. Collaboration present in the financial relationships may also benefit other relationship dimensions, including strategic, operational and governance dimensions. The types

of revenues and expenses which form part of the operations dimension have a particular influence on the financial relationship, especially for CHEO Foundation. It is important for the CHEO Foundation to attain revenues that allow it to continue to meet the needs of the other CHEO group entities, especially given the dependence of the CHEO Research Institute and RNH on the CHEO Foundation. Clarifying each of their missions, visions, and strategies within the strategic dimension helps develop trust and shared values between the CHEO group of entities. Trust and shared values allow collaboration to continue evolving through the financial relationships. In addition, overlap in the board of directors' aspect of the governance dimension helps communicate, manage and develop shared understandings of the resource needs and priorities within the CHEO group of entities, which supports them in engaging in financial relationships.

CHAPTER 6: CONCLUSION

This chapter provides an overview of the thesis, addresses its practical and theoretical implications, identifies limitations, and offers directions for future research.

6.1 Overview

The objective of this research was to understand the relationships between hospitals and hospital foundations. It has been recognized that engaging in collaborative relationships is beneficial for organizations in healthcare. Collaborative relationships allow for more effective delivery and accessibility of integrated healthcare services. The financial relationship dimension of inter-organizational relationships between hospitals and their foundations was selected as the specific focus for this research. This focus reflects the importance of hospital foundations to hospitals as identified in the literature. While hospitals in Ontario are provided government funding, hospital foundations may provide the additional funding necessary to offer the highest quality healthcare possible. Hence, the specific research question addressed is how is the financial relationship between a hospital and its foundations depicted in financial statements?

Factors within both the internal and external environments may impact the depiction of the relationship between hospitals and its foundations. Collaborative relationships assist in addressing these factors within both the internal and external environments. The role of external and internal environments are acknowledged through the use of contingency theory as the theoretical framework for the research. The research utilized a qualitative research strategy using a case study of CHEO and its foundations to answer the research question. A qualitative research

strategy allowed detailed descriptions of the CHEO group of entities reflecting both their internal and external environments. CHEO and its associated foundations were selected to explore the research question because of the need to ensure a collaborative relationship due to the unique patient focus on children and youth. The importance of the collaboration between CHEO and its associated foundations is that establishes greater opportunity to achieve each of their missions.

Financial statements of the CHEO group of entities over a period of six years were used in this research to understand how their inter-organizational relationships are portrayed. The CHEO group of entities' annual reports and T3010 returns were also used to complement the information found in the financial statements over the period 2015-2021. The archival data examined provided evidence of the close relationships the CHEO group of entities have. The close relationships are seen through overlaps on their boards of directors and leadership teams, and the geographic proximity to each other. Both these circumstances provide opportunities for collaboration to occur.

Thematic analysis was applied to the financial statements where the codes identified included revenues, expenses, assets, and liabilities. The themes were developed from the note disclosures found in the financial statements. The revenues revolved around grants and donations between the CHEO group of entities. Assets were associated with the loan agreement, non-interest bearing receivable and non-interest bearing payable, and restricted fund balances. Additionally, services, specifically an agreement to manage parking, involved both revenue and asset components. Transactions also took place through the provision of administrative services for a fee.

Examining the financial relationships offered insights into how the CHEO group of entities collaborate to ensure they have the necessary resources to respond to opportunities and threats. The CHEO group of entities exhibits a high level of collaboration when looking at the financial relationships associated with the identified themes. This high level of collaboration is evident in the numerous exchanges identified in the financial relationship dimension.

Collaboration is fostered through the revenues and expenses aspects of the financial relationships. Revenues and expenses are directed to specific purposes related to capital equipment, research projects, program and services, and operating expenses. Each of these specific purposes contributes to each of the CHEO group of entities achieving their identified mission. Collaboration is enhanced further by the interdependence seen in the financial relationships associated with assets and the mutually rewarding outcomes from the parking agreement and administrative services. Interdependence is present when at least two of the CHEO group of entities rely on each other to achieve their collective and shared interests. Mutually rewarding outcomes allow each CHEO group of entities to benefit in ways that would not be possible without collaboration. A high level of perceived collaboration demonstrates the entities' intention to continue working together in the future.

6.2 Implications

There are both practical and theoretical implications arising from this research. Practical implications of this research are that a better understanding of the relationship between hospitals and hospital foundations will benefit both hospitals and hospital foundations in making more

efficient decisions. Seeing how the transactions and transfers representing the financial relationships influence each other ensures that the hospital foundations can continue to support the hospital. Additionally, a better understanding of the relationships between CHEO and its foundations will help donors make more informed decisions on their charitable donations by allowing them to better understand where their money goes. Donors are more likely to contribute to non-profit organizations when they are provided with sufficient information (Trussel & Parsons, 2007). Understanding the financial relationship between hospitals and hospital foundations provides information on how donors' money is used. Communicating to donors on operational performance through financial statements encourages continuous donations, which is especially important for hospitals and hospital foundations that rely on external funding for support.

COVID-19 has shown that it is increasingly important for hospitals and hospital foundations to work together in inter-organizational relationships, indicating a greater value in understanding the relationships between them. As the impact of COVID-19 puts financial pressures on hospitals and hospital foundations, this research contributes to identifying the various financial relationships that may occur. Understanding the various financial relationships between them allows the hospitals and hospital foundations to evaluate the impact they have on each other.

Theoretically, this research provides further insight into how non-profit organizations display their relationships. A qualitative research approach offers a deeper understanding of the richness of these relationships compared to quantitative research that has examined variables impacting the relationships between hospitals and hospital foundations.

The literature on inter-organizational relationships has mainly explored why non-profit organizations enter relationships and the benefits that arise. This research provides additional details of these relationships, specifically through documenting how collaboration is shown through the financial statements. Inter-organizational relationships have been examined commonly through resource dependency, institutional, and network theories (Proulx et al., 2014). Sowa (2009) demonstrated that different organizational drivers recognized different benefits of collaboration. Furthermore, applying contingency theory provides a different understanding of inter-organizational relationships.

Complementing the financial statements with T3010 returns and annual reports offered more information into the financial relationships and understanding of the CHEO group of entities. Tracing information across these additional documents provides some opportunity to assess the transferability and confirmability of the findings. However, the confirmability of the findings in the external environment may be limited due to the narrow focus on how financial statements are complemented by the T3010 returns and annual reports. The use of interviews could have provided greater opportunities for assessing the confirmability of the observations by hearing insights directly from individuals involved in the case. Interviews with key individuals among CHEO and its foundations were not possible during the research due to their preoccupation with matters related to COVID-19's effects on the healthcare sector.

6.3 Limitations

As for any research project, this research also faces limitations. The first limitation is related to the sample selection. All the CHEO group of entities are in the province of Ontario. Looking at

hospitals and hospital foundations only in Ontario makes the findings more difficult to transfer to other jurisdictions and contexts. One difficulty in transferring findings arises from provincial and territorial governments' responsibility for delivering health and other social services (Government of Canada, 2019). As this is a provincial or territorial responsibility, the manner in which they organize and fund these services can differ appreciably. The fact the case hospital and its foundations is a children's hospital may also it more difficult to transfer findings to hospitals and foundations serving adult patient populations.

A second limitation is that some services may be difficult to measure and thus may not be included in the financial statements. For example, from CHEO's various patient programs and services, it is difficult to measure which ones are associated with patient revenues. Furthermore, information in financial statements does not address broader social reporting matters. Social reporting provides information about a foundation's activities, non-financial performance, and impact (Brouard & Pilon, 2020). Using social reports, where available, to supplement financial statements would be beneficial to examine non-financial aspects of the relationships. This might help identify whether there were any key relationship dimensions that may have been overlooked because of the focus on the financial relationship dimension.

A third limitation is that the financial information from the financial statements and public documents may not fully explain the behind-the-scenes situation and reasons for specific arrangements. Interviews with employees and directors might have provided additional useful information about the context and nuances of relationships not included in the financial

statements. While it had been intended to conduct interviews to supplement the documentary evidence, this was not possible given COVID-19.

6.4 Suggestions for future research

Further research is needed to continue enhancing an understanding of the hospital and hospital foundations' inter-organizational relationships. This research focused heavily on only one dimension of these relationship, the financial dimension. Additional relationship dimensions such as strategic, operational and governance dimensions to these relationships have been noted. Future research may wish to focus more on these other relationship dimensions. Examining inter-organizational relationships through different relationship dimensions recognizes that multiple organizational dimensions are affected by collaboration (Sowa, 2009).

Additionally, rather than just looking at the collaborations that takes place, there could also be a benefit to examining the level of competition. Palumbo et al. (2020) recognized that inter-organizational relationships might create increased competition among organizations reliant on individual organizations for financial and managerial sustainability. By working together, tension may appear between the non-profit organizations, such as from overlapping forms of generating revenue. As CHEO is specifically a children's hospital, future research may also examine children's impact on financial relationships. How children are perceived by the hospitals and hospital foundations, along with their donors, may influence the financial relationships. Future research could examine multiple children's hospitals to explore how they present children in the context of inter-organizational relationships intended to support children.

Finally, while this research relied on archival documents, future research may benefit from conducting interviews to examine inter-organizational relationships. Interviews would provide further understanding of the degree to which each relationship dimension between hospitals and hospital foundations aligns with collaboration, cooperation, and coordination. In addition, interviews could help to illuminate how inter-organizational relationships differ across various types of hospitals, or more broadly across various types of non-profit organizations.

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Appendix A. Literature Review Table

Author	Theory	Research Approach	Data collection methods
Pink & Leatt (1991) - Canada		Quantitative	Archival and analytical
Lutchmie, Pink, & Leatt (1996) - Canada	Environmental determinism versus adaptationism	Quantitative	Cross sectional survey
Fairfield & Wing (2008) - U.S	Social relations theory	Qualitative	Semi-structured interviews Focus group
D'Amour, Goulet, Labadie, Martín-Rodriguez, Pineault (2008) - Canada	Structuration model	Qualitative	Semi-structured interviews
Malliaris & Pappas (2009) - U. S		Quantitative	Archival and analytical
Marlin, Geiger, & Ritchie (2013) - U. S		Quantitative	Archival and analytical
Erwin (2013)- U. S		Quantitative	Longitudinal survey
Erwin & Landry (2015) - U. S		Quantitative	Longitudinal survey
Hu, Zhu, Kong (2020) - China	Stakeholder theory Resource dependence theory	Mixed approach- Quantitative and Qualitative	Archival and analytical Questionnaire

Appendix B. Elements of CHEO Group of Entities

	CHEO	CHEO Foundation	CHEO Research Institute	Roger Neilson House
Mission	We provide exceptional care and advance how children, youth, and families obtain it through partnership, research, and education	To further the physical, mental, and social well-being of children and their families in eastern Ontario and western Quebec by raising, managing, and dispersing funds	Connecting exceptional talent and technology in pursuit of life-changing research for every child, youth, and family in our community and beyond	We meet the unique palliative care needs of newborns, children, youth, and their families. We lead by advocating clinical care and family support, and by learning through research and sharing knowledge
Vision	Best life for every child and youth		Discoveries to inspire the best life for every child and youth	We enrich the quality of lives
Values	We respect each other, we support each other on their journey, we innovate and challenge the status quo, we create new knowledge, learn and teach		We inspire trust in our research excellence by being curious, nimble, passionate, and equitable	Respect Family focused care Collaboration Innovation Excellence Learning Celebration
Strategic Direction	<ul style="list-style-type: none"> • Outcomes that matter • Progress from evidence • Partners in health • Connecting care • Unlock our potential 		<ul style="list-style-type: none"> • Expand research in a sustainable fashion, measured through patient impact stories and tangible metrics of success • Support the growth of child health researchers to achieve research excellence and improve patient care • Guide CHEO into becoming a research-intensive healthcare organization • Integrate technology to streamline communications, work processes, and facilitate research using digital means 	<ul style="list-style-type: none"> • Working in partnership to meet the needs of children and families • One strong team • Excellence and leadership • Sustainable funding

	CHEO	CHEO Foundation	CHEO Research Institute	Roger Neilson House
Programs	<ul style="list-style-type: none"> • School and preschool • Autism service provider • Child and youth mental health agency • Children's treatment centre • Rehabilitation service • Pediatric palliative care hospice • School health provider • Service coordinator • Genetics program • Training and educational centre for health professionals 	<ul style="list-style-type: none"> • Capital equipment • Research • Programming and education 	<ul style="list-style-type: none"> • Molecular biomedicine • Health information technologies • Evidence to practice 	<ul style="list-style-type: none"> • End of life care • Bereavement services • Memory making legacy building activities • Perinatal hospice • Recreation therapy program • Respite care

Appendix C. Board of Directors and Leadership Teams of CHEO Group of Entities

Note:

Those indicated in bold represent presence on both the leadership team and board of directors of the CHEO group of entities. The ones that are also italicized and underlined in addition to being bold mean they appear on more than one of the CHEO group of entities.

CHEO	
Leadership Team	
President and Chief Executive Officer	Alex Munter
Senior Vice-President Corporate Services and Chief Financial Officer	Darlene Arseneau
Senior Vice-President and Chief Nurse Executive	Tammy DeGiovanni
Vice President Child Development and Community Services	Monique Lugli
Chief of Staff	<i><u>Dr. Lindy Samson</u></i>
Vice-President Research	<i><u>Dr. Jason Berman</u></i>
General Counsel and Chief Privacy Officer	<i><u>Watson Gale</u></i>
Vice President of Strategy, Quality, and Family Partnership and Chief Innovation Officer	Mari Teitelbaum
Vice President of Mental Health and Addictions	Joanne Lowe
Chief of Pediatrics	Dr. Ciarán M. Duffy
Chief of Psychiatry	Dr. Kathleen Pajer
Chief of Anesthesiology and Pain Medicine	Dr. David Rosen
Chief Department of Surgery	Dr. Juan Bass
Director, Quality and Systems Improvement	Dr. Ken Farion
Chief Communication Officer	Adrienne Vienneau
Board of Directors	
Director (Chair)	Daphne Fedoruk
Director (Vice-Chair)	Jo-Anne Porier
Director (Treasurer)	Filipe Dinis
Director (Secretary, CEO)	Alex Munter
<i>Director</i>	<i><u>Alexa Brewer</u></i>
Director	Annie Chartrand
Director	Ann Lynch
Director	Benoit Laberge
Director	Cathy Curry
Director	Elka Miller
Director	Jim Armour
Director	Jim Roche
<i>Director</i>	<i><u>Dr. Lindy Samson</u></i>
Director	Louis Doyle
Director	Meena Roberts
Director	Melissa Forgie
Director	Pam Aung Thin
Director	Sacha Baharmand

Source:

CRA 2020 T3010: https://apps.cra-arc.gc.ca/ebsci/hacc/srch/pub/t3010/v24/t3010DrcrtrsTrstsLkOffcls_dsplyovrvw

CHEO: https://www.cheo.on.ca/en/about-us/senior-leadership.aspx?_mid_=1829

CHEO Foundation	
Leadership Team	
President	<i>Kevin Keohane</i>
Vice President, Finance and Administration	Steve Read
Board of Directors	
Chair	Peter O'Leary
Vice Chair	Ross Hunt
Treasurer	Ainsley Malhotra
Director	Anna Tosto
Director	Antonia Betts
Director	Charles-Antoine Rozon
Director	James Mckellar
Director	Jessica Sheridan
Director	Julie Lupinacci
Director	Marjolaine Hudon
Director	Mark Sutcliffe
Director	Mike Mount
Director	Nishith Goel
Director	Terry Ludlow
Director	Tara-Lynn Hughes
Director	Vicki Clement

Source:

CHEO Foundation 2020 T3010: https://apps.cra-arc.gc.ca/ebsi/hacc/srch/pub/t3010/v25/t3010DretrsTrstsLkOffcls_dsplyovrvw

CHEO Foundation: CHEO Foundation 2020 Annual Report

CHEO Research Institute	
Leadership Team	
Chief Executive Officer	<i><u>Dr. Jason Berman</u></i>
Chief Operating Officer	Rhonda Correll
Chief Financial Officer	Chris St. Germain
Director of Human Resources	Judy Currie
Manager, Health and Safety	Lisa Carter
Manager, Grants and Pre-Awards	Samira Chamaa
Manager, Contracts Office	Megan Radmore
Manager, Quality Assurance & Regulatory Compliance	Sabrina Hamer
Board of Directors	
President	Caroline Somers
Vice-President	Nicole Jauvin
Treasurer	Martin Zablocki
Secretary	Lynn Van Der Linde
Director	Christopher Dyrda
Director	Don Husereau
Director	Harry Atkins
Director	<i><u>Kevin Keohane</u></i>
Director	<i><u>Dr. Lindy Samson</u></i>
Director	Lucie Thibault
Director	Mark Walker
Director	Parm Gill
Director	Robert Hanlon
Director	Sylvain Charbonneau
Director	<i><u>Watson Gale</u></i>

Source:

CHEO Research Institute 2020 T3010: https://apps.cra-arc.gc.ca/ebci/hacc/srch/pub/t3010/v24/t3010DrctrsTrstsLkOffcls_dsplyovrvw

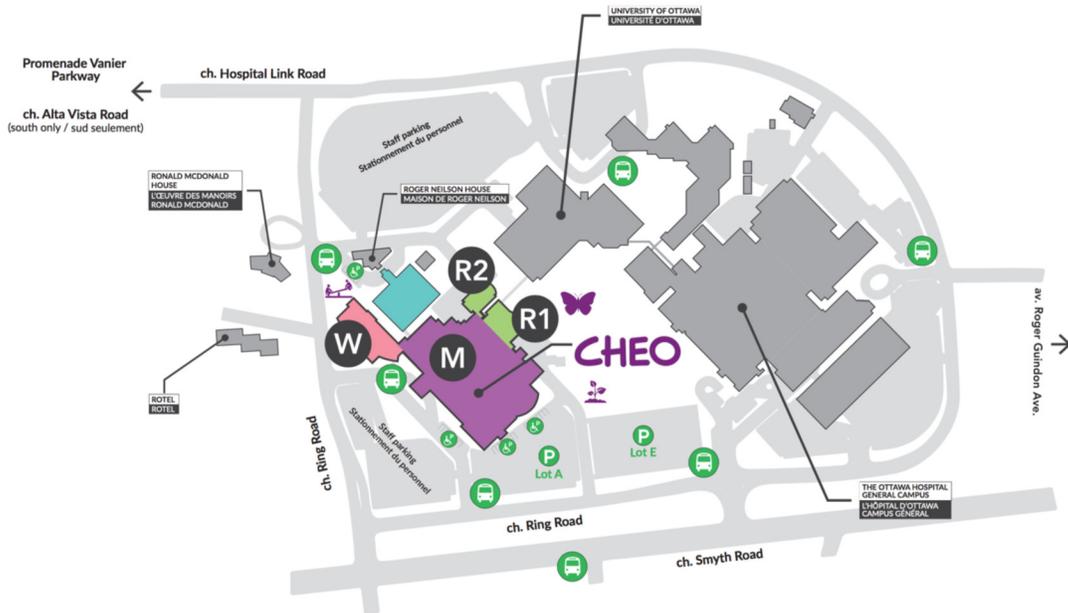
CHEO Research Institute: <https://www.cheoresearch.ca/about-us/governance/>

Roger Neilson House	
Leadership Team	
Executive Director	Megan Wright
Medical Director	Chris Vadeboncoeur
Manager	Helen Yoxon
Manager Community Engagement and Volunteer Relations	Bruno Perrier
Manager	Nahal Yazdani
Coordinator Strategic Projects and Governance	Sonja Marshall
Administrative Assistant Community Engagement and Volunteer Relations	Jennie Wilson
Legacy Project Coordinator	Caitlin Neil
Project Coordinator	Ashitta Chawla
Board of Directors	
Chair	Mike Lupiano
Vice Chair	Ian Hendry
Treasurer	Michelle Bouchard
Secretary	Jeff Polowin
Past Chair	Leslie Bell
Director	<i>Alexa Brewer</i>
Director	Anne Huot
Director	Caitlin Neil
Director	David Creery
Director	Janet Wilson
Director	Monique Lugli
Director	Paul Lalonde
Director	Robert E Houston

Source:

Roger Neilson House 2020 T3010: https://apps.cra-arc.gc.ca/ebsi/hacc/srch/pub/t3010/v25/t3010DrctrsTrstsLkOffcls_dsplyovrvw
 Roger Neilson House: Roger Neilson House 2020 Annual Report

Appendix D. Map of CHEO Campus



LEVEL 1 Main Campus
(Basement) 401 Smyth Road, Ottawa

NIVEAU 1 Campus principal
(Sous Sol) 401, chemin Smyth, Ottawa

