

Financial Statements of

THE OTTAWA HOSPITAL

Year ended March 31, 2008



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AUDITORS' REPORT TO THE BOARD OF GOVERNORS

We have audited the statement of financial position of The Ottawa Hospital as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Chartered Accountants, Licensed Public Accountants

Ottawa, Canada

May 21, 2008

THE OTTAWA HOSPITAL

Statement of Financial Position

March 31, 2008, with comparative figures for 2007
(In thousands of dollars)

	2008	2007
Assets		
Current assets:		
Cash held in trust (note 10(a))	\$ 20,228	\$ 18,741
Accounts receivable (note 4(a))	41,249	36,724
Inventories	9,674	9,205
Prepaid expenses	4,309	3,664
	<u>75,460</u>	<u>68,334</u>
Capital grants receivable (note 4(b))	13,499	5,392
Investments (note 5)	43,459	47,417
Capital assets (note 6)	434,802	406,655
Receivable from Royal Ottawa Health Care Group – vested benefits (note 7)	493	493
	<u>\$ 567,713</u>	<u>\$ 528,291</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Bank indebtedness (note 8)	\$ 51,294	\$ 19,355
Accounts payable and accrued liabilities	179,768	194,123
Payable to The Ottawa Hospital Residence Corporation (note 14(d))	2,389	1,729
Deferred contributions related to trust funds (note 10(a))	20,228	18,741
	<u>253,679</u>	<u>233,948</u>
Long-term liabilities:		
Employee future benefits (note 9)	15,959	13,945
Deferred contributions related to capital assets (note 10(b))	269,826	259,450
Net assets:		
Investment in capital assets (note 11(a))	182,369	163,035
Unrestricted deficiency	(154,120)	(142,087)
	<u>28,249</u>	<u>20,948</u>
Commitments, contingencies and guarantees (note 16)		
	<u>\$ 567,713</u>	<u>\$ 528,291</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Chairman

_____ President and CEO

THE OTTAWA HOSPITAL

Statement of Operations

Year ended March 31, 2008, with comparative figures for 2007
(In thousands of dollars)

	2008	2007
Revenue:		
Patient care:		
Ministry of Health and Long-Term Care	\$ 702,015	\$ 641,219
Other	97,351	94,162
Other funding	15,350	15,147
Marketed services	8,398	7,688
Amortization of deferred contributions related to equipment (note 10(b))	7,830	7,770
Recoveries and other	38,340	37,803
Investment	859	1,288
	870,143	805,077
Expenses:		
Salaries and wages	444,305	409,967
Employee benefits	118,364	108,316
Medical staff remuneration	65,690	58,956
Medical and surgical	47,816	47,250
Drugs	50,610	52,307
Supplies and other	118,458	104,415
Amortization of equipment	20,358	19,927
Interest on bank indebtedness	880	567
	866,481	801,705
Excess of revenue over expenses before undernoted items	3,662	3,372
Parking operations	10,005	9,343
Amortization of deferred contributions related to buildings (note 10(b))	8,803	6,081
Amortization of buildings and land improvements	(15,169)	(13,119)
Excess of revenue over expenses	\$ 7,301	\$ 5,677

See accompanying notes to financial statements.

THE OTTAWA HOSPITAL

Statement of Changes in Net Assets

Year ended March 31, 2008, with comparative figures for 2007
(In thousands of dollars)

	Investment in capital assets (note 11)	Unrestricted	Total 2008	Total 2007
Balance, beginning of year	\$ 163,035	\$ (142,087)	\$ 20,948	\$ 15,271
Excess of revenue over expenses	–	7,301	7,301	5,677
Net change in investment in capital assets (note 11(b))	19,334	(19,334)	–	–
Balance, end of year	\$ 182,369	\$ (154,120)	\$ 28,249	\$ 20,948

See accompanying notes to financial statements.

THE OTTAWA HOSPITAL

Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007
(In thousands of dollars)

	2008	2007
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses	\$ 7,301	\$ 5,677
Items not involving cash:		
Amortization of capital assets	35,527	33,046
Amortization of deferred contributions related to capital assets	(16,633)	(13,851)
Loss on disposal of assets	14	—
Net increase in employee future benefits (note 9)	2,014	2,762
Net change in non-cash working capital (note 15)	(21,481)	29,653
	6,742	57,287
Financing and investing activities:		
Purchase of capital assets	(63,688)	(64,502)
Net increase in capital grants receivable	(8,107)	(1,966)
Deferred contributions related to capital assets received	27,009	49,485
Increase in deferred contributions related to trust funds	1,487	5,710
Increase in payable to The Ottawa Hospital Residence Corporation	660	715
Net decrease in investments	3,958	7,115
	(38,681)	(3,443)
Net decrease (increase) in bank indebtedness	(31,939)	53,844
Bank indebtedness, beginning of year	(19,355)	(73,199)
Bank indebtedness, end of year	\$ (51,294)	\$ (19,355)

See accompanying notes to financial statements.

THE OTTAWA HOSPITAL

Notes to Financial Statements

Year ended March 31, 2008
(In thousands of dollars)

These financial statements reflect the assets, liabilities and operations of The Ottawa Hospital (the "Hospital"). They do not include the assets, liabilities or operations of its auxiliaries, The Ottawa Hospital Foundation, the Ottawa Health Research Institute, the University of Ottawa Heart Institute, The Ottawa Hospital Residence Corporation or other entities, which, although associated with the Hospital, are separately managed, and report to separate Boards of Trustees.

The Hospital is principally involved in providing health care services to the City of Ottawa. The Hospital is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

(a) Revenue recognition:

The Hospital follows the deferral method of accounting for contributions.

Under the Health Insurance Act and Regulations thereto, the Hospital is funded, primarily by the Province of Ontario, in accordance with budget arrangements established by the Ministry of Health and Long-Term Care. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

The Hospital receives funding for operations for certain programs from the Ministry of Health and Long-Term Care of Ontario. The final amount of operating revenue recorded cannot be determined until the Ministry of Health and Long-Term Care of Ontario has reviewed the Hospital's financial and statistical returns for the year. Any adjustments arising from the Ministry of Health and Long-Term Care of Ontario review is recorded in the period in which the adjustment is made.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions, such as trust funds, are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue from the Provincial Insurance Plan and marketed services is recognized when the goods are sold or the service is provided.

THE OTTAWA HOSPITAL

Notes to Financial Statements, page 2

Year ended March 31, 2008
(In thousands of dollars)

1. Significant accounting policies (continued):

(b) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(c) Inventories:

Inventories are valued at lower of weighted average cost and replacement cost, less a provision for any obsolete or unusable inventory on hand.

(d) Investments:

Investments are designated as available-for-sale and are recorded at fair value. Purchases of investments are recorded on the settlement date.

For the 2007 comparative period, investments are recorded at cost.

(e) Capital assets:

Purchased capital assets, other than minor equipment, are recorded at cost. Assets acquired under capital leases are initially recorded at the present value of future minimum lease payments and amortized over the estimated life of the assets. When a capital asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value.

Minor equipment replacements are expensed in the year of replacement. Construction in progress is not amortized until the project is complete and the facilities come into use. Capital assets are amortized on a straight-line basis over their expected useful lives at rates varying from 2% to 30% per annum.

(f) Deferred contributions related to trust funds:

The Hospital holds resources and makes disbursements on behalf of various unrelated individuals or groups. The Hospital has no discretion over such transactions. Resources received in connection with such trust fund transactions are reported as liabilities not revenue and subsequent distributions are reported as decreases to the liability.

(g) Employee benefit plans:

The Hospital accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care costs.

THE OTTAWA HOSPITAL

Notes to Financial Statements, page 3

Year ended March 31, 2008
(In thousands of dollars)

1. Significant accounting policies (continued):

(g) Employee benefit plans (continued):

Adjustments arising from plan amendments, including past service costs, are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment. The excess of the net actuarial gain or loss over 10% of the benefit obligation is amortized over the average remaining service period of the active employees.

The Hospital is an employer member of the Hospitals of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Hospital records as pension expense the current service cost, amortization of past service costs and interest costs related to future employer contributions to the Plan for past employee service.

(h) Use of estimates:

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

2. Adoption of new accounting standards:

Effective April 1, 2007, the Hospital adopted the new standards for Financial Instruments in accordance with various sections of the CICA Handbook including Section 3855 "*Financing Instruments - Recognition and Measurement*" and Section 3865 "*Hedges*". The primary provisions of these new standards require the classification of financial assets into either held-for-trading, held-to-maturity, loans and receivables, or available-for-sale financial assets and classification of financial liabilities as either held-for-trading or other liabilities. The new standards require that financial assets and liabilities be measured in accordance with their respective basis of classification. In addition, derivatives embedded in financial instruments or other contracts may be required to be accounted for separately under the new standards. In accordance with the transitional provisions of these Sections, the Hospital has prospectively adopted the new standards for financial instruments. There was no impact on the financial statements from the implementation of the new standards, and as such, no adjustments to opening balances were required.

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Notes to Financial Statements, page 4

Year ended March 31, 2008
(In thousands of dollars)

2. Adoption of new accounting standards (continued):

Effective April 1, 2007 the Hospital adopted the revised CICA Handbook Section 1506, "Accounting Changes", relating to changes in accounting policies, changes in accounting estimates and errors. Adoption of these recommendations had no effect on the financial statements for the year ended March 31, 2008, except for the disclosure of accounting changes that have been issued by the CICA but have not yet been adopted by the Hospital because they are not effective until a future date (refer to Future Accounting Standards in note 3).

3. Future accounting standards:

On December 31, 2006, the CICA issued three new accounting standards: Handbook Section 1535 "Capital Disclosures"; Handbook Section 3862 "Financial Instruments – Disclosures"; Handbook Section 3863 "Financial Instruments - Presentation". These standards are effective for the Hospital's financial statements for the year ended March 31, 2009. Section 1535 specifies the disclosures of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new Handbook Sections 3862 and 3863 replace Handbook Section 3861, "Financial Instruments - Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

In March 2007, the CICA approved Handbook Section 3031, "Inventories" which replaces the existing Handbook Section 3030, "Inventories". This standard is effective for the Hospital's financial statements for the year ending March 31, 2009. The standard provides more guidance on the measurement and disclosure requirements for inventories.

The Hospital is currently assessing the impact of these new accounting standards on the financial statements.

THE OTTAWA HOSPITAL

Notes to Financial Statements, page 5

Year ended March 31, 2008
(In thousands of dollars)

4. Accounts and capital grants receivable:

(a) Accounts receivable:

	2008	2007
Accounts receivable from patients	\$ 21,284	\$ 25,114
University of Ottawa Heart Institute (note 14(e))	547	5,102
Eastern Ontario Regional Laboratory Association (note 14(g))	328	801
Ottawa Health Research Institute (note 14(b))	6,564	883
Other	15,580	8,649
	44,303	40,549
Less allowance for doubtful accounts	3,054	3,825
	\$ 41,249	\$ 36,724

(b) Capital grants receivable:

Capital grants receivable relate to grants restricted in use for capital asset acquisitions or projects, which have been approved by the founder and are receivable by the Hospital at year-end. These amounts have also been included in deferred contributions related to capital assets.

	2008	2007
The Ottawa Hospital Foundation (note 14(a))	\$ 3,687	\$ -
Eastern Ontario Regional Laboratory Association (note 14(g))	7,192	5,360
Cancer Care Ontario	1,400	-
Ottawa Regional Cancer Centre Foundation	1,220	-
Other	-	32
	\$ 13,499	\$ 5,392

5. Investments:

	2008	2007
	Fair value	Cost
Investment for capital assets, consisting of cash and commercial paper	\$ 43,459	\$ 47,417

The fair market value of these investments is \$43,459 (2007 - \$47,623).

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Notes to Financial Statements, page 6

Year ended March 31, 2008
(In thousands of dollars)

6. Capital assets:

	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
Land	\$ 1,618	\$ –	\$ 1,618	\$ 1,618
Land improvements	5,336	4,992	344	404
Buildings	467,371	158,487	308,884	231,135
Building service equipment	81,898	57,956	23,942	22,008
Major equipment	434,122	361,816	72,306	57,488
Construction-in-progress	27,708	–	27,708	94,002
	<u>\$ 1,018,053</u>	<u>\$ 583,251</u>	<u>\$ 434,802</u>	<u>\$ 406,655</u>

Cost and accumulated amortization of capital assets at March 31, 2007 amounted to \$955,174 and \$548,519 respectively.

7. Receivable from Royal Ottawa Health Care Group – vested benefits:

Under the agreement transferring The Rehabilitation Centre to The Ottawa Hospital, the Royal Ottawa Health Care Group (“ROHCG”) will reimburse the Hospital for the employee future benefits liability relating to transferred employees based on the actuarial valuation completed as at March 31, 2001. The amount receivable by the Hospital from ROHCG for vested benefits is \$493. Currently, there are no agreed-upon repayment terms with respect to this receivable.

8. Bank indebtedness:

The Hospital has an available line of credit of \$24,000 with its corporate bankers, of which \$13,517 was drawn against at March 31, 2008 (2007 - \$Nil). This line of credit is unsecured and bears interest at prime minus 0.75%. The Hospital also had an overdraft of \$35,504 (2007 - \$19,355) that was covered by the capital cash account.

9. Employee future benefits:

The Hospital provides extended health care and dental insurance benefits to certain of its employees and extends this coverage to the post-retirement period. The most recent actuarial valuation of employee future benefits was completed as at April 1, 2007.

THE OTTAWA HOSPITAL

Notes to Financial Statements, page 7

Year ended March 31, 2008
(In thousands of dollars)

9. Employee future benefits (continued):

At March 31, the Hospital's employee future benefits accrued liability and accrued benefit obligation is as follows:

	2008	2007
Accrued benefit obligation	\$ 23,050	\$ 26,905
Unamortized past service costs	(2,218)	(2,500)
Unamortized experience losses	(4,873)	(10,460)
Accrued liability	\$ 15,959	\$ 13,945

Similar to most post-employment benefit plans (other than pension) in Canada, the Hospital's plan is not pre-funded, resulting in a plan deficit equal to the accrued benefit obligation.

The significant actuarial assumptions adopted in estimating the Hospital's accrued benefit obligations are as follows:

Discount rate	5.75%
Dental benefits cost escalation	6.00%
Medical benefits cost escalation – extended health care	9.00% in 2007; decreasing by 0.5% per annum to an ultimate rate of 5.00% per annum
Expected average remaining service life of employees	15 years

Included in the statement of operations is an amount of \$2,014 (2007 - \$2,762) regarding employee future benefits. This amount is comprised of:

	2008	2007
Additional benefit expense	\$ 2,445	\$ 3,176
Benefit payments made by the Hospital during the year	(431)	(414)
	\$ 2,014	\$ 2,762

THE OTTAWA HOSPITAL

Notes to Financial Statements, page 8

Year ended March 31, 2008
(In thousands of dollars)

9. Employee future benefits (continued):

Health care sensitivity analysis:

Assumed health care cost trend rates have a significant effect on the amounts reported for the health and dental care plans. A 1% change in assumed health and dental care cost trend rates would have the following effects for 2008.

	Increase	Decrease
Net benefit cost	\$ 293	\$ 243
Accrued benefit obligation	2,879	2,451

10. Deferred contributions:

(a) Related to trust funds:

Deferred contributions related to trust funds represent the aggregate balance of funds held in trust for third parties. The changes in the deferred balance for the period are as follows:

	2008	2007
Balance, beginning of year	\$ 18,741	\$ 17,368
Add contributions received during the year	8,941	5,057
Interest earned during the year	749	186
Less disbursements made during the year	(8,203)	(3,870)
Balance, end of year	\$ 20,228	\$ 18,741

(b) Related to capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

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Notes to Financial Statements, page 9

Year ended March 31, 2008
(In thousands of dollars)

10. Deferred contributions (continued):

(b) Related to capital assets (continued):

The changes in the deferred balance for the year are as follows:

	2008	2007
Balance, beginning of year	\$ 259,450	\$ 223,816
Add contributions received during the year	27,009	49,485
Less amounts amortized for equipment	(7,830)	(7,770)
Less amounts amortized for buildings	(8,803)	(6,081)
	\$ 269,826	\$ 259,450

The balance of unamortized and unspent funds consists of the following:

	2008	2007
Unamortized capital contributions	\$ 252,433	\$ 243,620
Unspent contributions	17,393	15,830
	\$ 269,826	\$ 259,450

11. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2008	2007
Capital assets	\$ 434,802	\$ 406,655
Amounts financed by:		
Deferred contributions related to capital assets	252,433	243,620
	\$ 182,369	\$ 163,035

THE OTTAWA HOSPITAL

Notes to Financial Statements, page 10

Year ended March 31, 2008
(In thousands of dollars)

11. Investment in capital assets (continued):

(b) Change in investment in capital assets is calculated as follows:

	2008	2007
Purchase of capital assets	\$ 63,688	\$ 64,502
Amounts funded by deferred contributions	(25,446)	(65,943)
Loss on disposal of capital assets	(14)	–
Amortization of deferred contributions related to capital assets	16,633	13,851
Amortization of capital assets	(35,527)	(33,046)
	\$ 19,334	\$ (20,636)

12. Pension plan:

Substantially all of the employees of the Hospital are members of the Hospitals of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Contributions to the plan made during the year by the Hospital on behalf of its employees amounted to \$35,405 (2007 - \$31,654) and are included in the statement of operations.

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

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent triennial actuarial valuation of the Plan as at December 31, 2006 indicates the plan is fully funded.

13. Financial instruments:

The carrying value of accounts receivable, capital grants receivable, accounts payable and accrued liabilities, bank indebtedness and payable to Ottawa Hospital Residence Corporation approximates their fair value because of the relatively short period to maturity of the instruments.

The fair value of investments is disclosed in note 5.

THE OTTAWA HOSPITAL

Notes to Financial Statements, page 11

Year ended March 31, 2008
(In thousands of dollars)

13. Financial instruments (continued):

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability.

14. Related entities:

(a) The Ottawa Hospital Foundation:

The Hospital has an economic interest in The Ottawa Hospital Foundation (the "Foundation"). The Foundation was established to raise, receive, maintain and manage funds to be distributed towards various programs and capital projects of the Hospital.

During the year, the Hospital received \$11,426 (2007 - \$13,810) from the Foundation. As at March 31, 2008, the Hospital had a capital grants receivable from the Foundation amounting to \$3,687 (2007 - \$Nil). In addition, the Foundation donated gifts-in-kind to the Hospital, which were recorded by the Hospital at no value. The Hospital provides the Foundation with office premises without charge.

(b) Ottawa Health Research Institute:

The Hospital has an economic interest in the Ottawa Health Research Institute (the "Institute"). The Institute carries on and exclusively promotes scientific research and experimental development for the benefit of the general public. The Institute is a tax-exempt entity incorporated under the laws of Ontario.

As at March 31, 2008, the Hospital had a receivable from the Institute amounting to \$6,564 (2007 - \$883). The Hospital provided \$4,650 (2007 - \$4,598) of base funding in support of resources to the Institute during fiscal 2008. The Hospital also provided \$150 (2007 - \$150) for specific operating expenditures to the Institute. These amounts are recorded in supplies and other expense on the statement of operations.

(c) Auxiliaries:

The Hospital has an economic interest in the Ottawa Civic Hospital Auxiliary, the Riverside Hospital Auxiliary and the Friends of the Ottawa General Hospital (the "Auxiliaries") and the Rehabilitation Centre Volunteer Association. The object of the Auxiliaries is to raise and receive funds to be distributed towards various programs and capital projects of the Hospital and its related Foundations. The Auxiliaries are tax-exempt entities created under the laws of Ontario.

THE OTTAWA HOSPITAL

Notes to Financial Statements, page 12

Year ended March 31, 2008
(In thousands of dollars)

14. Related entities (continued):

(d) The Ottawa Hospital Residence Corporation:

The Hospital exercises control over The Ottawa Hospital Residence Corporation (the "Corporation"), a tax-exempt entity without share capital incorporated under the laws of Ontario providing residences to the interns and residents of the Hospital. The amount payable to the Corporation, amounting to \$2,389 (2007 – \$1,729), is subject to an interest rate of prime minus 0.75%.

The assets, liabilities and results of operations for the Corporation for the years ended December 31 are as follows:

	2007	2006
Financial position:		
Total assets	\$ 4,906	\$ 3,771
Total liabilities	\$ 280	\$ 123
Net assets	4,626	3,648
	\$ 4,906	\$ 3,771
Results of operations:		
Total revenue	\$ 2,408	\$ 2,014
Total expenses	1,430	1,328
Excess of revenue over expenses	\$ 978	\$ 686

(e) University of Ottawa Heart Institute:

The University of Ottawa Heart Institute provides cardiac services to the patients of the Hospital. Pursuant to the Public Hospitals Act, the Hospital is ultimately responsible for the health care of patients and, all patients at the University of Ottawa Heart Institute are acknowledged to be patients of the Hospital.

The business relationship between the Hospital and the University of Ottawa Heart Institute is governed by a service agreement pursuant to which clinical and administrative support is provided at fair market value, and premises provided at no charge by the Hospital.

The intent of the service agreement is that any deficit incurred by either party shall be managed by the party incurring the deficit. The Heart Institute has an accumulated unrestricted net asset deficiency of \$5,940 at March 31, 2008 (2007 - \$6,954).

THE OTTAWA HOSPITAL

Notes to Financial Statements, page 13

Year ended March 31, 2008
(In thousands of dollars)

14. Related entities (continued):

(e) University of Ottawa Heart Institute (continued):

As at March 31, 2008, the Hospital had a receivable from the Heart Institute amounting to \$547 (2007 - \$5,102), bearing interest at prime minus 0.75%. This receivable has no fixed terms of repayment.

(f) Hospital Food Services – Ontario Inc. and Ottawa Regional Hospital Linen Services Incorporated:

The Hospital is a founding member of Hospital Food Services – Ontario Inc. (“HFS”) and of the Ottawa Regional Hospital Linen Services Incorporated (“ORHLS”). HFS and ORHLS were established to provide food and laundry services, respectively to member hospitals on a cost of service basis.

At March 31, 2008, the Hospital had an economic interest of \$3,204 (2007 - \$3,781) of total net assets of \$5,150 (2007 - \$6,241) of HFS. The corresponding interest in ORHLS was \$5,359 (2007 - \$4,881) of total net assets of \$9,397 (2007 - \$8,726).

For the year ended March 31, 2008, the Hospital provided \$1,230 (2007 - \$1,139) to HFS for food services and \$7,346 (2007 - \$6,343) to ORHLS for linen services. These amounts have been included in Supplies and Other on the Statement of Operations.

(g) Eastern Ontario Regional Laboratory Association Inc.:

The Hospital is a founding member of Eastern Ontario Regional Laboratory Association Inc. (“EORLA”). EORLA was established to provide specialized laboratory services to the 16 member hospitals on a cost of service basis.

The Ottawa Hospital entered into a contract with the Ministry of Health and Long-term Care of Ontario to construct a regional laboratory, including investment in capital equipment. As at March 31, 2008, The Ottawa Hospital had completed the project, at a total cost of \$25,543, of which approximately 30% is to be funded by EORLA. In return for this capital investment, EORLA will be permitted to occupy the premises, under the provisions set out in the member Site Use Agreements.

As at March 31, 2008, The Ottawa Hospital had a capital grant receivable from EORLA in the amount of \$7,192 (2007 - \$5,360) and an operational receivable of \$328 (2007 - \$801).

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Notes to Financial Statements, page 14

Year ended March 31, 2008
(In thousands of dollars)

15. Net change in non-cash working capital:

	2008	2007
Accounts receivable	\$ (4,525)	\$ 12,704
Inventories	(469)	(843)
Prepaid expenses	(645)	(837)
Cash held in trust	(1,487)	(5,710)
Accounts payable and accrued liabilities	(14,355)	24,339
Net change in non-cash working capital	\$ (21,481)	\$ 29,653

16. Commitments, contingencies and guarantees:

- (a) The nature of the Hospital's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2008, management believes the Hospital has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.
- (b) A group of hospitals, including the Hospital, have formed the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums, which are actuarially determined. All members are subject to reassessment for losses in excess of such premiums, if any, experienced by the pool for the years in which they were members, and these losses could be material. No reassessments have been made to March 31, 2008.
- (c) At March 31, 2008, HFS had \$10,497 (2007 - \$11,284) outstanding on an available line of credit of \$13,900. In the event of any breach of covenants associated with this line of credit, the Hospital may be required to advance capital to HFS in accordance with its guarantee of the debt. The Hospital's share of the capital advance would be based on its percentage ownership in HFS. As at the date of the audit report, there has been no such request by the debtor.
- (d) The Hospital has construction in progress recorded in capital assets of \$27,708 at March 31, 2008 (2007 - \$94,002). The cost to complete this construction is estimated at \$111,078 (2007 - \$71,463).

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Year ended March 31, 2008
(In thousands of dollars)

16. Commitments, contingencies and guarantees (continued):

- (e) To the extent permitted by law the Hospital indemnifies present and former directors and officers against certain claims that may be made against them as a result of their service as directors or officers. The Hospital purchases directors' and officers' liability insurance that may be available in certain instances. The nature and likelihood of these arrangements preclude the Hospital from making a reasonable estimate of the maximum potential amount the Hospital could be required to pay to counterparties. The Hospital believes the likelihood that it will incur significant liability under these arrangements is remote and accordingly, no amount has been recorded in the financial statements for these guarantees.
- (f) At March 31, 2008, letters of credit totaling \$722 (2007 - \$1,051) were issued primarily to governmental authorities to guarantee fulfillment of the Hospital's obligations with respect to the installation of road, water, sewer and drainage improvements on Hospital-owned land.

17. Comparative figures:

Certain 2007 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2008.