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Consolidated Financial Statements of

THE OTTAWA HOSPITAL

Year ended March 31, 2009

AUDITORS' REPORT TO THE BOARD OF GOVERNORS

We have audited the consolidated statement of financial position of The Ottawa Hospital as at March 31, 2009 and the consolidated 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Ottawa, Canada

May 11, 2009

THE OTTAWA HOSPITAL

Consolidated Statement of Financial Position

March 31, 2009, with comparative figures for 2008
(In thousands of dollars)

	2009	2008 (As restated, note 2(a))
Assets		
Current assets:		
Short-term investments	$ 860	$ 16
Accounts receivable (note 4(a))	40,258	48,220
Inventories	10,028	10,040
Prepaid expenses	4,526	4,309
	55,672	62,585
Capital grants receivable (note 4(b))	15,407	13,499
Investments	61,392	43,459
Capital assets (note 5)	506,517	481,601
Receivable from Royal Ottawa Health Care Group – vested benefits (note 6)	493	493
Cash held in trust (note 11(a))	22,822	20,228
	$ 662,303	$ 621,865
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Bank indebtedness (note 7)	$ 36,431	$ 46,619
Accounts payable and accrued liabilities	206,378	196,348
Payable to The Ottawa Hospital Residence Corporation (note 16(d))	1,929	2,389
Current portion of obligation under capital lease (note 10)	319	570
Current portion of long-term debt (note 9)	1,292	1,292
	246,349	247,218
Long-term liabilities:		
Employee future benefits (note 8)	19,467	17,427
Obligation under capital lease (note 10)	494	488
Long-term debt (note 9)	11,257	12,549
	31,218	30,464
Deferred contributions related to capital assets (note 11(b))	324,540	295,925
Deferred contributions related to trust funds (note 11(a))	22,822	20,228
Net assets (note 12):		
Investment in capital assets (note 13(a))	193,659	188,171
Unrestricted deficiency	(156,285)	(160,141)
	37,374	28,030
Commitments, contingencies and guarantees (note 18)		
	$ 662,303	$ 621,865

See accompanying notes to consolidated financial statements.

On behalf of the Board:

____________________ Chairman ____________________ President and CEO

THE OTTAWA HOSPITAL

Consolidated Statement of Operations

Year ended March 31, 2009, with comparative figures for 2008
(In thousands of dollars)

	2009	2008
		(As restated, note 2(a))
Revenue:		
Patient care:		
Ministry of Health and Long-Term Care	$ 854,222	$ 810,085
Other	126,958	114,728
Other funding	16,151	17,197
Marketed services	8,479	8,398
Amortization of deferred contributions related to equipment (note 11(b))	9,078	9,631
Recoveries and other	42,617	40,367
Investment	1,289	777
	1,058,794	1,001,183
Expenses:		
Salaries and wages	535,367	498,048
Employee benefits	131,295	130,714
Medical staff remuneration	72,422	69,544
Medical and surgical	81,707	72,800
Drugs	57,494	54,967
Supplies and other	145,327	145,263
Amortization of equipment	27,546	23,740
Interest	950	1,799
	1,052,108	996,875
Excess of revenue over expenses before undernoted items	6,686	4,308
Parking operations	10,282	10,005
Amortization of deferred contributions related to buildings (note 11(b))	10,818	10,068
Amortization of buildings and land improvements	(19,302)	(17,045)
Excess of revenue over expenses	$ 8,484	$ 7,336

See accompanying notes to consolidated financial statements.

THE OTTAWA HOSPITAL

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2009, with comparative figures for 2008
(In thousands of dollars)

	Investment in capital assets (note 13)	Unrestricted	Total 2009	Total 2008 (As restated, note 2(a))
Balance, beginning of year	$ 182,369	$ (154,120)	$ 28,249	$ 20,948
Consolidation of the University of Ottawa Heart Institute (note 2(a))	5,802	(6,021)	(219)	(254)
Balance, beginning of year, as restated	188,171	(160,141)	28,030	20,694
Excess of revenue over expenses	–	8,484	8,484	7,336
Change in unrealized gain on short-term investments	–	860	860	–
Net change in investment in capital assets (note 13(b))	5,488	(5,488)	–	–
Balance, end of year	$ 193,659	$ (156,285)	$ 37,374	$ 28,030

See accompanying notes to consolidated financial statements.

THE OTTAWA HOSPITAL

Consolidated Statement of Cash Flows

Year ended March 31, 2009, with comparative figures for 2008
(In thousands of dollars)

	2009	2008
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses	$ 8,484	$ 7,336
Items not involving cash:		
Amortization of capital assets	46,848	40,785
Amortization of deferred contributions related to capital assets	(19,896)	(19,695)
Loss on disposal of assets	–	14
Net increase in employee future benefits (note 8)	2,040	2,330
Net change in non-cash working capital (note 17)	15,209	(21,206)
	52,685	9,564
Financing and investing activities:		
Purchase of capital assets	(71,764)	(68,561)
Net increase in capital grants receivable	(1,908)	(8,107)
Deferred contributions related to capital assets received	48,511	32,546
Repayment of long-term debt	(1,292)	(1,365)
Repayment of obligation under capital lease	(656)	(597)
Increase in capital leases	411	–
Increase in deferred contributions related to trust funds	2,594	1,487
Increase (decrease) in payable to The Ottawa Hospital Residence Corporation	(460)	660
Net decrease (increase) in investments	(17,933)	3,958
	(42,497)	(39,979)
Net decrease (increase) in bank indebtedness	10,188	(30,415)
Bank indebtedness, beginning of year	(46,619)	(16,204)
Bank indebtedness, end of year	$ (36,431)	$ (46,619)

See accompanying notes to consolidated financial statements.

THE OTTAWA HOSPITAL

The Ottawa Hospital (the "Hospital") is an academic health sciences centre and 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 consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

(a) Basis of presentation:

These consolidated financial statements reflect the assets, liabilities and operations of the Hospital. The Hospital consolidates the financial activities of controlled entities that provide clinical services.

These financial statements include the assets, liabilities and operations of the University of Ottawa Heart Institute, a controlled entity. The University of Ottawa Heart Institute provides cardiac services to the 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 University of Ottawa Heart Institute is incorporated under the laws of Ontario and is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes.

These financial statements do not include the assets, liabilities or operations of The Ottawa Hospital Residence Corporation, a controlled entity, nor the following entities where the Hospital has an economic interest including; The Ottawa Hospital Foundation, Ottawa Health Research Institute, its auxiliaries, Hospital Food Services – Ontario Inc., Ottawa Regional Hospital Linen Services Incorporated and Eastern Ontario Regional Laboratory Association Inc.

(b) 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.

1. Significant accounting policies (continued):

(b) Revenue recognition (continued):

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 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.

(c) 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 consolidated financial statements.

(d) Inventories:

Inventories are valued at lower of cost and net realizable value.

(e) Investments:

Investments are designated as available-for-sale and are recorded at fair value. Transaction costs related to the acquisition of investments are recorded against investment income. Sales and purchases of investments are recorded on the settlement date.

Fair value is determined at quoted market prices. The calculation of fair value is based upon market conditions and at a specific point in time and may not be reflective of future fair value.

(f) 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.

THE OTTAWA HOSPITAL

Year ended March 31, 2009
(In thousands of dollars)

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1. Significant accounting policies (continued):

(f) Capital assets (continued):

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.

(g) 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.

(h) 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 heath care costs.

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.

(i) Use of estimates:

The preparation of consolidated 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 consolidated 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.

THE OTTAWA HOSPITAL

Year ended March 31, 2009
(In thousands of dollars)

2. Change in accounting policy and adaptation of new accounting standards

(a) Consolidation of the University of Ottawa Heart Institute:

The Hospital has changed its accounting policy regarding the basis of presentation of the University of Ottawa Heart Institute, a controlled entity. The Hospital has consolidated the assets, liabilities and operations of the University of Ottawa Heart Institute and this change has been applied retrospectively. This change has increased the amounts previously reported as follows.

		2008
Assets:		
Accounts receivable	$	6,971
Inventories		366
Capital assets		46,799
Liabilities:		
Bank indebtedness		(4,690)
Accounts payable and accrued liabilities		16,580
Employee future benefits		1,468
Obligation under capital lease		1,058
Long-term debt		13,841
Deferred contributions related to capital assets		26,099
Net assets:		
Investment in capital assets		5,802
Unrestricted deficiency		(6,021)
Revenue:		
Patient care:		
Ministry of Health and Long-Term Care	$	108,070
Other		17,377
Other funding		1,847
Amortization of deferred contributions related to equipment		1,801
Recoveries and other		2,027
Investment		(82)
Expenses:		
Salaries and wages		53,743
Employee benefits		12,350
Medical staff remuneration		3,854
Medical and surgical		24,984
Drugs		4,357
Supplies and other		26,805
Amortization of equipment		3,382
Interest on		919
Amortization of deferred contribution related to buildings		(1,265)
Amortization of buildings and land improvements		1,876
	$	35

2. Change in accounting policy and adoption of new accounting standards (continued)

(b) Inventories:

Effective January 1, 2008, the Hospital adopted the new accounting standards for Inventories in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031, *Inventories* which provides new guidance on the recognition measurement and disclosure of inventories. The recognition and measurement changes include the requirement to measure inventories at the lower of cost and net realizable value, the use of specific cost method for inventories and the review of previous write-down to net realizable value, if any, when there is a subsequent increase in the value of inventories. The Hospital retrospectively adopted the CICA 3031 requirements without restatement. The adoption of this Section did not have a material effect on the Hospital's consolidated financial statements as of January 1, 2008.

(c) Capital Disclosures:

Effective April 1, 2008, the Hospital adopted the CICA Handbook Section 1535, *Capital Disclosures* which establishes standards for disclosing information about an entity's capital and how it is managed. Adoption of these recommendations had no effect on the consolidated financial statements for the year ending March 31, 2009, except for the additional disclosure in note 12.

(d) Financial Instruments:

In December 2006, the CICA issued new accounting standards: Handbook Section 3862, *Financial Instruments - Disclosures*; Handbook Section 3863, *Financial Instruments - Presentation*. These standards were expected to be effective for the Hospital's consolidated financial statements for the year ended March 31, 2009. However in December 2008, the CICA eliminated the requirement for not-for-profit entities to adopt these standards. The Hospital has continued to disclose and present financial instruments under Handbook Section 3861, *Financial Instruments - Disclosure and Presentation* for the year ended March 31, 2009.

(In thousands of dollars)

3. Future accounting standards:

The CICA has issued the following new accounting standards that will come into effect for the Hospital's fiscal year beginning April 1, 2009:

Amendments to Accounting Standards that Apply Only to Not-for-Profit Organizations

In September 2008, the CICA issued amendments to the existing accounting standards applicable to not-for-profit organizations. The amendments affect the financial statement presentation and disclosure requirements for not-for-profit organizations.

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

Disclosure of Allocated Expenses by Not-for-Profit Organizations

In September 2008, the CICA issued Section 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organizations.* This new section establishes disclosure requirements for not-for-profit organizations that report expenses by function and allocate expenses to a number of functions to which the expenses relate. These not-for-profit organizations will be required to disclose additional information regarding their accounting policies adopted for the allocation of expenses among functions, the nature of these expenses, the basis on which the allocations are being made, and the value of the allocations.

The Hospital is currently assessing the impact of these amendments and new accounting standard on its financial statements.

4. Accounts and capital grants receivable:

(a) Accounts receivable:

	2009	2008
Accounts receivable from patients	$ 30,322	$ 25,899
Eastern Ontario Regional Laboratory Association (note 16(f))	137	328
Ottawa Health Research Institute (note 16(b))	1,033	6,564
Other	12,271	18,707
	43,763	51,498
Less allowance for doubtful accounts	3,505	3,278
	$ 40,258	$ 48,220

(In thousands of dollars)

4. Accounts and capital grants receivable (continued):

(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 funder and are receivable by the Hospital at year-end. These amounts have also been included in deferred contributions related to capital assets.

	2009	2008
The Ottawa Hospital Foundation (note 16(a))	$ 6,667	$ 3,687
Eastern Ontario Regional Laboratory Association (note 16(f))	8,708	7,192
Cancer Care Ontario	–	1,400
Ottawa Regional Cancer Centre Foundation	–	1,220
Other	32	–
	$ 15,407	$ 13,499

5. Capital assets:

	Cost	Accumulated amortization	2009 Net book value	2008 Net book value
Land	$ 1,618	$ –	$ 1,618	$ 1,618
Land improvements	5,335	5,047	288	344
Buildings	528,241	180,061	348,180	340,243
Building service equipment	94,152	61,795	32,357	23,942
Major equipment	498,631	412,561	86,070	83,976
Construction-in-progress	38,004	–	38,004	31,478
	$ 1,165,981	$ 659,464	$ 506,517	$ 481,601

Cost and accumulated amortization of capital assets at March 31, 2008 amounted to $1,094,218 and $612,617 respectively.

6. 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.

THE OTTAWA HOSPITAL

Year ended March 31, 2009
(In thousands of dollars)

7. Bank indebtedness:

The Hospital has an available line of credit of $24,000 with its corporate bankers, of which no amount was drawn against at March 31, 2009 (2008 - $15,806). This line of credit is unsecured and bears interest at prime minus 0.75%. The Hospital also had an overdraft of $36,431 (2008 - $30,813) that was covered by the capital cash account.

8. 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, 2006.

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

	2009	2008
Accrued benefit obligation	$ 23,345	$ 25,175
Unamortized past service costs	(2,145)	(2,424)
Unamortized experience losses	(1,733)	(5,324)
Accrued liability	$ 19,467	$ 17,427

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

THE OTTAWA HOSPITAL

Year ended March 31, 2009
(In thousands of dollars)

8. Employee future benefits (continued):

Included in the statement of operations is an amount of $2,040 (2008 - $2,330) regarding employee future benefits. This amount is comprised of:

	2009	2008
Additional benefit expense	$ 2,623	$ 2,799
Benefit payments made by the Hospital during the year	(583)	(469)
	$ 2,040	$ 2,330

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 2009.

	Increase	Decrease
Net benefit cost	$ 343	$ 287
Accrued benefit obligation	2,756	2,368

9. Long-term debt:

	2009	2008
5.5% fixed rate term note with principal payments of $44 monthly	$ 5,906	$ 6,444
6.26% fixed rate term note with principal payments of $25 monthly	2,003	2,313
6.27% fixed rate term note with principal payments of $33.32 monthly	4,640	5,084
Total loans	12,549	13,841
Less current portion of long-term debt	1,292	1,292
	$ 11,257	$ 12,549

Future principal repayments are as follows:

2009	$ 1,292
2010	1,292
2011	9,965
	$ 12,549

Year ended March 31, 2009
(In thousands of dollars)

10. Obligations under capital lease:

The Hospital is committed under capital leases for diagnostic equipment.

	2009	2008
5.95% capital lease obligation with principal payments of $16 monthly	$ 484	$ 679
5.70% capital lease obligation with principal payments of $3 monthly	3	43
6.1% capital lease obligation with principal payments of $5 monthly	208	–
5.68% capital lease obligation with principal payments of $5 monthly	118	–
4.98% capital lease obligation with principal payments of $20 monthly	–	180
5.80% capital lease obligation with principal payments of $13 monthly	–	156
Total capital lease obligation	813	1,058
Less current portion of capital lease obligation	319	570
	$ 494	$ 488

Future principal repayments are as follows:

2010	$ 319
2011	312
2012	182
	$ 813

11. 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:

	2009	2008
Balance, beginning of year	$ 20,228	$ 18,741
Add contributions received during the year	12,867	8,941
Interest earned during the year	571	749
Less disbursements made during the year	(10,844)	(8,203)
Balance, end of year	$ 22,822	$ 20,228

(In thousands of dollars)

11. Deferred contributions (continued):

(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.

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

	2009	2008
Balance, beginning of year	$ 295,925	$ 283,078
Add contributions received during the year	48,511	32,546
Less amounts amortized for equipment	(9,078)	(9,631)
Less amounts amortized for buildings	(10,818)	(10,068)
	$ 324,540	$ 295,925

The balance of unamortized and unspent capital contributions consists of the following:

	2009	2008
Unamortized capital contributions	$ 299,497	$ 278,532
Unspent capital contributions	25,043	17,393
	$ 324,540	$ 295,925

12. Capital disclosures:

The Hospital defines capital as its unrestricted net assets and its net assets invested in capital assets. The Hospital currently has an accumulated deficiency of net assets due to past operations. As profitable operations are achieved, this deficiency of net assets will be reduced. Once the deficiency in net assets is eliminated, the object of the Hospital with respect to its unrestricted net assets is to fund future operations. The purpose of the net assets invested in capital assets is to fund the past acquisition of capital assets required for operational purposes.

The Hospital is not subject to externally imposed capital requirements and its overall strategy with respect to capital remains unchanged form the year ended March 31, 2008.

(In thousands of dollars)

13. Investment in capital assets:

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

	2009	2008
Capital assets	$ 506,517	$ 481,601
Amounts financed by:		
Deferred contributions related to capital assets (note 11(b))	(299,497)	(278,532)
Long-term debt	(12,548)	(13,840)
Capital lease obligations	(813)	(1,058)
	$ 193,659	$ 188,171

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

	2009	2008
Purchase of capital assets	$ 71,764	$ 68,561
Amounts funded by deferred contributions	(40,861)	(30,982)
Loss on disposal of capital assets	–	(14)
Amortization of deferred contributions related to capital assets	19,896	19,695
Amortization of capital assets	(46,848)	(40,785)
Repayment of long-term debt	1,292	1,365
Repayment of obligation under capital leases	570	597
Amount funded by new capital lease obligations	(325)	–
	$ 5,488	$ 18,437

14. 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 $41,236 (2008 - $39,149) and are included in the statement of operations.

14. Pension plan (continued):

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.

15. 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 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.

16. 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 $13,363 (2008 - $11,426) from the Foundation. As at March 31, 2009, the Hospital had a capital grant receivable from the Foundation amounting to $6,667 (2008 - $3,687). 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.

(In thousands of dollars)

16. Related entities (continued):

(b) Ottawa Health Research Institute (continued):

As at March 31, 2009, the Hospital had a receivable from the Institute amounting to $1,033 (2008 - $6,564). The Hospital provided $4,913 (2008 - $4,650) of base funding in support of resources to the Institute during fiscal 2008. The Hospital also provided $150 (2008 - $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.

(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 $1,929 (2008 - $2,389), 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:

	2008	2007
Financial position:		
Total assets	$ 6,218	$ 4,906
Total liabilities	$ 96	$ 280
Net assets	6,122	4,626
	$ 6,218	$ 4,906
Results of operations:		
Total revenue	$ 2,837	$ 2,408
Total expenses	1,341	1,430
Excess of revenue over expenses	$ 1,496	$ 978

(In thousands of dollars)

16. Related entities (continued):

(e) 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, 2009, the Hospital had an economic interest of $3,023 (2008 - $3,204) of total net assets of $4,617 (2008 - $5,150) of HFS. The corresponding interest in ORHLS was $5,913 (2008 - $5,359) of total net assets of $10,433 (2008 - $9,397).

For the year ended March 31, 2009, the Hospital provided $1,184 (2008 - $1,230) to HFS for food services and $7,561 (2008 - $7,346) to ORHLS for linen services. These amounts have been included in Supplies and Other on the Statement of Operations.

(f) 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, 2009, The Ottawa Hospital had completed the project, at a total cost of $25,376 (2008 – 25,343), of which $7,834 (2008 - $7,801) 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, 2009, The Ottawa Hospital had a capital grant receivable from EORLA in the amount of $8,708 (2008 - $7,192) and an operational receivable of $137 (2008 - $328).

17. Net change in non-cash working capital:

	2009	2008
Short term investment	$ 16	$ –
Accounts receivable	7,962	(3,542)
Inventories	12	(480)
Prepaid expenses	(217)	(645)
Cash held in trust	(2,594)	(1,487)
Accounts payable and accrued liabilities	10,030	(15,052)
Net change in non-cash working capital	$ 15,209	$ (21,206)

THE OTTAWA HOSPITAL

Year ended March 31, 2009
(In thousands of dollars)

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18. 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, 2009, 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, 2009.

(c) At March 31, 2009, HFS had $11,613 (2008 - $10,497) outstanding on an available line of credit of $12,522 (2008 - $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 $38,004 at March 31, 2009 (2008 - $31,478). The cost to complete this construction is estimated at $136,309 (2008 - $111,078).

(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 consolidated financial statements for these guarantees.

(f) At March 31, 2009, letters of credit totaling $722 (2008 - $722) 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.