Consolidated Financial Statements of

THE OTTAWA HOSPITAL

Year ended March 31, 2010

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AUDITORS' REPORT TO THE BOARD OF GOVERNORS

We have audited the consolidated statement of financial position of The Ottawa Hospital as at March 31, 2010 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, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Ottawa, Canada

May 14, 2010

THE OTTAWA HOSPITAL

Consolidated Statement of Financial Position

March 31, 2010, with comparative figures for 2009
(In thousands of dollars)

	2010	2009
Assets		
Current assets:		
Short-term investments	$ 1,308	$ 860
Accounts receivable (note 3(a))	50,051	40,258
Inventories	11,938	10,028
Prepaid expenses	5,097	4,526
	68,394	55,672
Capital grants receivable (note 3(b))	17,754	15,407
Investments held for capital purchases (note 12(c))	74,966	61,392
Capital assets (note 4)	571,294	506,517
Receivable from Royal Ottawa Health Care Group – vested benefits (note 5)	325	493
Cash held in trust (note 10(a))	25,544	22,822
	$ 758,277	$ 662,303
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Bank indebtedness (note 6)	$ 47,771	$ 36,431
Accounts payable and accrued liabilities	208,553	206,378
Payable to The Ottawa Hospital Residence Corporation (note 15(d))	3,656	1,929
Current portion of obligation under capital lease (note 9)	329	319
Current portion of long-term debt (note 8)	1,376	1,292
	261,685	246,349
Long-term liabilities:		
Employee future benefits (note 7)	22,627	19,467
Obligation under capital lease (note 9)	165	494
Long-term debt (note 8)	10,481	11,257
	33,273	31,218
Deferred contributions related to capital assets (note 10(b))	394,235	324,540
Deferred contributions related to trust funds (note 10(a))	25,544	22,822
Net assets (note 11):		
Investment in capital assets (note 12(a))	194,841	193,659
Unrestricted deficiency	(151,301)	(156,285)
	43,540	37,374
Commitments, contingencies and guarantees (note 17)		
	$ 758,277	$ 662,303

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, 2010, with comparative figures for 2009
(In thousands of dollars)

	2010	2009
Revenue:		
Patient care:		
Ministry of Health and Long-Term Care	$ 899,254	$ 854,222
Other	140,562	126,958
Recoveries and other	44,734	42,617
Other funding	15,122	16,151
Marketed services	8,689	8,479
Investment	202	1,289
Amortization of deferred contributions related to equipment (note 10(b))	7,688	9,078
	1,116,251	1,058,794
Expenses:		
Salaries and wages	572,590	535,367
Employee benefits	143,643	131,295
Supplies and other	144,709	145,327
Medical and surgical	82,805	81,707
Medical staff remuneration	77,065	72,422
Drugs	61,429	57,494
Interest	796	950
Amortization of equipment	29,673	27,546
	1,112,710	1,052,108
Excess of revenue over expenses before undernoted items	3,541	6,686
Parking revenues	14,434	14,075
Parking expenses	(3,950)	(3,793)
Amortization of deferred contributions related to buildings (note 10(b))	11,530	10,818
Amortization of buildings and land improvements	(19,389)	(19,302)
Excess of revenue over expenses	$ 6,166	$ 8,484

See accompanying notes to consolidated financial statements.

THE OTTAWA HOSPITAL

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2010, with comparative figures for 2009
(In thousands of dollars)

	Investment in capital assets (note 12)	Unrestricted	Total 2010	Total 2009
Balance, beginning of year	$ 193,659	$ (156,285)	$ 37,374	$ 28,030
Excess of revenue over expenses	–	6,166	6,166	8,484
Change in unrealized gain on short-term investments	–	–	–	860
Net change in investment in capital assets (note 12(b))	1,182	(1,182)	–	–
Balance, end of year	$ 194,841	$ (151,301)	$ 43,540	$ 37,374

See accompanying notes to consolidated financial statements.

THE OTTAWA HOSPITAL

Consolidated Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009
(In thousands of dollars)

	2010	2009
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses	$ 6,166	$ 8,484
Items not involving cash:		
Amortization of capital assets	48,892	46,848
Amortization of deferred contributions related to capital assets	(19,218)	(19,896)
Loss on disposal of assets	226	–
Decrease in Royal Ottawa Health Care Group – Vested benefits	168	–
Net increase in employee future benefits (note 7)	3,160	2,040
Net change in non-cash working capital (note 16)	(13,269)	15,209
	26,125	52,685
Financing activities:		
Deferred contributions related to capital assets received	88,913	48,511
Repayment of long-term debt	(1,292)	(1,292)
Amount funded by long-term debt	600	–
Repayment of obligation under capital lease	(319)	(656)
Increase in capital leases	–	411
Increase in deferred contributions related to trust funds	2,722	2,594
Increase (decrease) in payable to The Ottawa Hospital Residence Corporation	1,727	(460)
Proceeds on disposal of equipment	96	–
	92,447	49,108
Investing activities:		
Purchase of capital assets	(113,991)	(71,764)
Net increase in capital grants receivable	(2,347)	(1,908)
Net increase in investments	(13,574)	(17,933)
	(129,912)	(91,605)
Net decrease (increase) in bank indebtedness	(11,340)	10,188
Bank indebtedness, beginning of year	(36,431)	(46,619)
Bank indebtedness, end of year	$ (47,771)	$ (36,431)

See accompanying notes to consolidated financial statements.

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 Hospital 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 when the conditions for the restriction have been met. 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 recorded on a first in first out basis and are valued at lower of cost and net realizable value.

(e) Short-term investment and 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 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.

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. Significant areas requiring estimate include the valuation of accounts receivable and inventories, accruals for outstanding salary agreements and management's estimates used to develop actuarial assumptions with respect to employee future benefits, and management's estimates used to determine certain payroll related accrued liabilities.

(In thousands of dollars)

2. Adoption of new accounting standards:

(a) *Amendments to Accounting Standards that Apply Only to Not-For-Profit Organizations*

Effective April 1, 2009, the Hospital adopted the Canadian Institute of Chartered Accountants ("CICA") amendments to the 4400 Sections of the CICA Handbook. These amendments eliminate the requirement to show net assets invested in capital assets as a separate component of net assets, clarify the requirement for revenue and expenses to be presented on a gross basis when the not-for-profit organization is acting as principal and requires a statement of cash flows. Adoption of these recommendations had no significant impact on the financial statements for the year ended March 31, 2010, with the exception of the requirement to present parking revenues and expenses on a gross basis.

(b) *Amendments to Section 1000, Financial Statement Concepts*

Effective April 1, 2009, the Hospital adopted the CICA amendments to Section 1000 of the CICA Handbook. These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching of revenue and expense items. Adoption of these recommendations had no effect on the financial statements for the year ended March 31, 2010.

(c) Disclosure of Allocated Expenses by Not-for-Profit Organizations

Effective April 1, 2009, the Hospital adopted the CICA Handbook Section 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organizations* which establishes disclosure standards for entities that choose to report their expenses by function and allocate expenses between functions. Adoption of this standard had no effect on the financial statements for the year ended March 31, 2010.

3. Accounts and capital grants receivable:

(a) Accounts receivable:

	2010	2009
Accounts receivable from patients	$ 37,083	$ 30,322
Eastern Ontario Regional Laboratory Association (note 15(f))	(210)	137
Ottawa Hospital Research Institute (note 15(b))	6,018	1,033
Other	10,754	12,271
	53,645	43,763
Less allowance for doubtful accounts	3,594	3,505
	$ 50,051	$ 40,258

(In thousands of dollars)

3. 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.

	2010	2009
The Ottawa Hospital Foundation (note 15(a))	$ 8,028	$ 6,667
Eastern Ontario Regional Laboratory Association (note 15(f))	7,834	8,708
University of Ottawa	1,496	–
Ministry of Health and Long term Care	427	–
Other	(31)	32
	$ 17,754	$ 15,407

4. Capital assets:

	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Land	$ 1,618	$ –	$ 1,618	$ 1,618
Land improvements	5,335	5,100	235	288
Buildings	538,589	195,556	343,033	348,180
Building service equipment	94,204	65,636	28,568	32,357
Major equipment	521,839	436,474	85,365	86,070
Construction-in-progress	112,475	–	112,475	38,004
	$ 1,274,060	$ 702,766	$ 571,294	$ 506,517

Cost and accumulated amortization of capital assets at March 31, 2009 amounted to $1,165,981 and $659,464 respectively.

5. 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 $325 (2009 - $493).

(In thousands of dollars)

6. 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, 2010 (2009 - $Nil). This line of credit is unsecured and bears interest at prime. The Hospital also had an overdraft of $47,771 (2009 - $36,431) that was covered by the capital cash account.

7. 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, 2009.

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

	2010	2009
Accrued benefit obligation	$ 38,160	$ 23,345
Unamortized past service costs	(1,866)	(2,145)
Unamortized experience losses	(13,667)	(1,733)
Accrued liability	$ 22,627	$ 19,467

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:

	2010	2009
Discount rate to determine accrued benefit obligation	7.75%	5.75%
Dental cost increases	6.00%	6.00%
Extended healthcare cost escalations, 7.5% in 2011 decreasing by 0.5% per annum to an ultimate rate of 5.0% thereafter	7.50%	9.00%
Expected average remaining service life of employees	15 years	15 years

(In thousands of dollars)

7. Employee future benefits (continued):

Included in the statement of operations is an amount of $3,148 (2009 - $2,040) regarding employee future benefits. This amount is comprised of:

	2010	2009
Additional benefit expense	$ 3,780	$ 2,623
Benefit payments made by the Hospital during the year	(632)	(583)
	$ 3,148	$ 2,040

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 2010.

	Increase	Decrease
Net benefit cost	$ 384	$ 324
Accrued benefit obligation	3,614	3,124

8. Long-term debt:

	2010	2009
5.5% fixed rate term note with principal payments of $44 monthly	$ 5,378	$ 5,906
6.26% fixed rate term note with principal payments of $25 monthly	1,679	2,003
6.27% fixed rate term note with principal payments of $33.32 monthly	4,200	4,640
3.12% fixed rate term note with principal payments of $9 monthly	600	–
Total loans	11,857	12,549
Less current portion of long-term debt	1,376	1,292
	$ 10,481	$ 11,257

Future principal repayments are as follows:

2011	$ 1,376
2012	1,376
2013 and thereafter	9,105
	$ 11,857

(In thousands of dollars)

9. Obligations under capital lease:

The Hospital is committed under capital leases for diagnostic equipment.

	2010	2009
5.95% capital lease obligation with principal payments of $16 monthly	$ 277	$ 484
5.70% capital lease obligation with principal payments of $3 monthly	–	3
6.1% capital lease obligation with principal payments of $5 monthly	160	208
5.68% capital lease obligation with principal payments of $5 monthly	57	118
Total capital lease obligation	494	813
Less current portion of capital lease obligation	329	319
	$ 165	$ 494

Future principal repayments are as follows:

2011	$ 326
2012	124
2013	44
	$ 494

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:

	2010	2009
Balance, beginning of year	$ 22,822	$ 20,228
Add contributions received during the year	13,998	12,867
Interest earned during the year	30	571
Less disbursements made during the year	(11,306)	(10,844)
Balance, end of year	$ 25,544	$ 22,822

(In thousands of dollars)

10. 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:

	2010	2009
Balance, beginning of year	$ 324,540	$ 295,925
Add contributions received during the year	88,913	48,511
Less amounts amortized for equipment	(7,688)	(9,078)
Less amounts amortized for buildings	(11,530)	(10,818)
	$ 394,235	$ 324,540

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

	2010	2009
Unamortized capital contributions	$ 364,102	$ 299,497
Unspent capital contributions	30,133	25,043
	$ 394,235	$ 324,540

11. 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, 2009.

(In thousands of dollars)

12. Investment in capital assets:

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

	2010	2009
Capital assets	$ 571,294	$ 506,517
Amounts financed by:		
Deferred contributions related to capital assets (note 10(b))	(364,102)	(299,497)
Long-term debt (note 8)	(11,857)	(12,548)
Capital lease obligations (note 9)	(494)	(813)
	$ 194,841	$ 193,659

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

	2010	2009
Purchase of capital assets	$ 113,991	$ 71,764
Amounts funded by deferred contributions	(83,824)	(40,861)
Proceeds on disposal of equipment	(96)	–
Loss on disposal of capital assets	(226)	–
Amortization of deferred contributions related to capital assets	19,218	19,896
Amortization of capital assets	(48,892)	(46,848)
Repayment of long-term debt	1,292	1,292
Amount funded by long-term debt	(600)	–
Repayment of obligation under capital leases	319	570
Amount funded by new capital lease obligations	–	(325)
	$ 1,182	$ 5,488

(c) Investments held for capital purposes relates to funding received and restricted for the purpose of capital expenditures. The funds are held with the Hospital's bank and are classified as long term as the associated cash outflow is not expected to occur within one year.

13. 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 $43,889 (2009 - $41,236) and are included in the statement of operations.

13. 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. The next actuarial evaluation is scheduled for August 2010 and actual results could vary.

14. 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 values of capital grants receivable and receivable from Royal Ottawa Health Care Group – vested benefits are not determinable as there are no fixed repayment terms.

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. Unless otherwise noted, it is management's opinion that the Hospital is not subject to significant interest, currency, or credit risk arising from these instruments.

Credit risk

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The Hospital is exposed to credit risk on its accounts receivable.

15. 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.

15. Related entities (continued):

(a) The Ottawa Hospital Foundation (continued):

During the year, the Hospital received $13,841 (2009 - $13,363) from the Foundation. As at March 31, 2010, the Hospital had a capital grant receivable from the Foundation amounting to $8,028 (2009 - $6,667). 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 Hospital Research Institute:

The Hospital has an economic interest in the Ottawa Hospital 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, 2010, the Hospital had a receivable from the Institute amounting to $6,018 (2009 - $1,033). The Hospital provided $4,695 (2009 - $4,913) of base funding in support of resources to the Institute during fiscal 2010. The Hospital also provided $150 (2009 - $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 $3,656 (2009 - $1,929), is subject to an interest rate of prime minus 1.85%, is due on demand and has no fixed terms of repayment.

(In thousands of dollars)

15. Related entities (continued):

(d) The Ottawa Hospital Residence Corporation (continued):

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

	2009	2008
Financial position:		
Total assets	$ 5,671	$ 6,218
Total liabilities	$ 149	$ 96
Net assets	5,522	6,122
	$ 5,671	$ 6,218
Results of operations:		
Total revenue	$ 2,883	$ 2,837
Total expenses	1,483	1,341
Excess of revenue over expenses	$ 1,400	$ 1,496

(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, 2010, the Hospital had an economic interest of $3,604 (2009 - $3,023) of total net assets of $5,883 (2009 - $4,617) of HFS. The corresponding interest in ORHLS was $5,788 (2009 - $5,356) of total net assets of $10,229 (2009 - $9,525).

For the year ended March 31, 2010, the Hospital provided $1,235 (2009 - $1,184) to HFS for food services and $8,159 (2009 - $7,561) to ORHLS for linen services. These amounts have been included in Supplies and Other on the Statement of Operations.

(In thousands of dollars)

15. Related entities (continued):

(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, 2010, The Ottawa Hospital had completed the project, at a total cost $25,376, of which $7,834 (2009 - $7,834) 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, 2010, The Ottawa Hospital had a capital grant receivable from EORLA in the amount of $7,834 (2009 - $8,708) and an operational payable of $210 (2009 - $137 receivable).

16. Net change in non-cash working capital:

	2010	2009
Short term investment	$ (448)	$ 16
Accounts receivable	(9,793)	7,962
Inventories	(1,910)	12
Prepaid expenses	(571)	(217)
Cash held in trust	(2,722)	(2,594)
Accounts payable and accrued liabilities	2,175	10,030
Net change in non-cash working capital	$ (13,269)	$ 15,209

17. 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, 2010, 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, 2010.

17. Commitments, contingencies and guarantees (continued):

(c) At March 31, 2010, HFS had $10,019 (2009 - $11,613) outstanding on an available line of credit of $11,243 (2009 - $12,522), with the Hospital guaranteeing 48.1%. The guarantee continues until the loan, including accrued interest and fees, has been paid in full. 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. At March 31, 2010, the Hospital's share of the potential debt repayment should HFS default on the line of credit is $4,819 (2009 - $5,586). 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 $112,475 at March 31, 2010 (2009 - $38,004). The cost to complete this construction is estimated at $103,200 (2009 - $136,309).

(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, 2010, letters of credit totaling $660 (2009 - $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.