

Non-Consolidated Financial Statements of

THE OTTAWA HOSPITAL

March 31, 2013

Independent Auditor's Report

To the Board of Governors of The Ottawa Hospital and the Ministry of Health and Long-Term Care of Ontario

We have audited the accompanying non-consolidated financial statements of The Ottawa Hospital (the "Hospital"), which comprise the non-consolidated statement of financial position as at March 31, 2013, and the non-consolidated statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with the basis of accounting described in Note 2 to the non-consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

Independent Auditor's Report (Continued)

Auditor's Responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note 2 to the non-consolidated financial statements.

Comparative information

Without modifying our opinion, we draw attention to Note 2 to the non-consolidated financial statements and the fact that the Hospital adopted Canadian public sector accounting standards for government not-for-profit organizations on April 1, 2012, with its transition date being April 1, 2011. These standards have been applied retrospectively by management to comparative figures included in these non-consolidated financial statements, including the non-consolidated statements of financial position as at March 31, 2012 and April 1, 2011 and the non-consolidated statements of operations, changes in net assets and cash flow for the year ended March 31, 2012, including the accompanying notes. We were not engaged to report on the comparative figures and as such, they have not been audited.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 2 to the non-consolidated financial statements, which describes the basis of accounting. We also draw attention to the fact that the non-consolidated financial statements are prepared to assist the Hospital to comply with the reporting requirements of the Ministry of Health and Long-Term Care of Ontario. As a result, the non-consolidated financial statements may not be suitable for another purpose. Our report is intended solely for the Hospital and the Ministry of Health and Long-Term Care of Ontario and should not be distributed to parties other than the Hospital and the Ministry of Health and Long-Term Care of Ontario.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

June 5, 2013

THE OTTAWA HOSPITAL
Non-Consolidated Financial Statements
March 31, 2013
(in thousands of dollars)

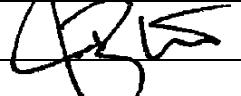
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THE OTTAWA HOSPITAL
Non-Consolidated Statement of Financial Position
as at March 31, 2013
(in thousands of dollars)

	<u>March 31, 2013</u>	<u>March 31, 2012</u> (Unaudited) (Note 3)	<u>April 1, 2011</u> (Unaudited) (Note 3)
CURRENT ASSETS			
Cash	\$ 19,707	\$ -	\$ -
Short-term investments	1,157	1,010	1,255
Accounts receivable (Note 4)	65,038	56,801	60,010
Inventories	13,515	11,800	10,945
Prepaid expenses	6,470	5,438	6,036
	105,887	75,049	78,246
CAPITAL GRANTS RECEIVABLE (Note 4)	11,397	24,765	28,129
INVESTMENTS HELD FOR CAPITAL PURCHASES	81,022	74,335	71,425
CAPITAL ASSETS (Note 5)	592,938	592,143	569,931
FUNDS HELD IN TRUST (Note 8)	33,239	32,749	33,472
	\$ 824,483	\$ 799,041	\$ 781,203
CURRENT LIABILITIES			
Bank indebtedness (Note 6)	\$ -	\$ 22,867	\$ 49,804
Accounts payable and accrued liabilities	253,989	237,664	217,641
Payable to The Ottawa Hospital Residence Corporation (Note 13)	4,118	4,565	4,212
	258,107	265,096	271,657
EMPLOYEE FUTURE BENEFITS (Note 7)	43,807	42,622	27,748
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 8)	415,292	412,101	399,157
DEFERRED CONTRIBUTIONS RELATED TO FUNDS HELD IN TRUST (Note 8)	33,239	32,749	33,472
	750,445	752,568	732,034
COMMITMENTS, CONTINGENCIES AND GUARANTEES (Note 15)			
NET ASSETS (DEFICIENCY)			
Invested in capital assets (Note 10)	225,351	218,668	203,620
Unrestricted deficiency	(151,313)	(172,195)	(154,451)
	74,038	46,473	49,169
	\$ 824,483	\$ 799,041	\$ 781,203

APPROVED BY THE BOARD

 Chairman

 President and CEO

THE OTTAWA HOSPITAL
Non-Consolidated Statement of Operations
year ended March 31, 2013
(in thousands of dollars)

	<u>2013</u>	<u>2012</u> (Unaudited) (Note 3)
Revenue		
Patient care:		
Ministry of Health and Long-Term Care	\$ 863,125	\$ 852,106
Other	118,579	115,538
Recoveries and other	51,307	46,712
Other funding	11,050	10,940
Marketed services	7,470	8,300
Investment	1,173	598
Amortization of deferred contributions related to equipment (Note 8)	4,920	5,377
	1,057,624	1,039,571
Expenses		
Salaries and wages	524,727	544,223
Employee benefits	137,251	149,454
Supplies and other	165,073	123,835
Medical and surgical	58,715	59,473
Medical staff remuneration	80,812	82,219
Drugs	54,469	54,112
Interest	184	37
Amortization of equipment	35,040	33,021
	1,056,271	1,046,374
Excess of revenue (expenses) over expenses (revenue) before the undernoted items and non recurring item	1,353	(6,803)
Parking revenues	16,933	16,650
Parking expenses	(4,765)	(4,330)
Amortization of deferred contributions related to buildings (Note 8)	13,617	13,814
Amortization of buildings and land improvements	(22,680)	(22,027)
Excess of revenue (expenses) over expenses (revenue) after the overnoted item but before non recurring item	4,458	(2,696)
Non recurring funding (Note 17)	23,107	-
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 27,565	\$ (2,696)

See accompanying notes to the financial statements

THE OTTAWA HOSPITAL
Non-Consolidated Statement of Changes in Net Assets
year ended March 31, 2013
(in thousands of dollars)

	Invested in Capital <u>Assets</u> (Note 10)	<u>Unrestricted</u>	<u>2013</u>	<u>2012</u> (Unaudited) (Note 3)
BALANCE, BEGINNING OF YEAR	\$ 218,668	\$ (172,195)	\$ 46,473	\$ 49,169
Excess (deficiency) of revenue over expenses	-	27,565	27,565	(2,696)
Net change in investment in capital assets (Note 10)	6,683	(6,683)	-	-
BALANCE, END OF YEAR	\$ 225,351	\$ (151,313)	\$ 74,038	\$ 46,473

See accompanying notes to the financial statements

THE OTTAWA HOSPITAL
Non-Consolidated Statement of Cash Flow
year ended March 31, 2013
(in thousands of dollars)

	<u>2013</u>	<u>2012</u> (Unaudited) (Note 3)
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ 27,565	\$ (2,696)
Items not affecting cash		
Amortization of capital assets	57,720	55,048
Amortization of deferred contributions related to capital assets	(18,537)	(19,191)
Loss on disposal of capital assets	74	-
Net increase in employee future benefits (Note 7)	1,185	14,874
	68,007	48,035
Changes in non-cash operating working capital items (Note 14)	5,194	23,220
	73,201	71,255
FINANCING ACTIVITIES		
Deferred contributions related to capital assets received (Note 8)	21,728	32,135
Increase (decrease) in deferred contributions related to funds held in trust	490	(723)
Increase (decrease) in payable to The Ottawa Hospital Residence Corporation	(447)	353
Proceeds on disposal of capital assets	20	-
	21,791	31,765
CAPITAL ACTIVITIES		
Purchase of capital assets	(58,609)	(77,260)
INVESTING ACTIVITIES		
Net decrease in capital grants receivable	13,368	3,364
Net decrease (increase) in funds held in trust	(490)	723
Increase in investments held for capital purchases	(6,687)	(2,910)
	6,191	1,177
NET CASH INFLOW	42,574	26,937
BANK INDEBTEDNESS, BEGINNING OF YEAR	(22,867)	(49,804)
CASH (BANK INDEBTEDNESS), END OF YEAR	\$ 19,707	\$ (22,867)

See accompanying notes to the financial statements

THE OTTAWA HOSPITAL

Notes to the Non-Consolidated Financial Statements

year ended March 31, 2013
(in thousands of dollars)

1. DESCRIPTION OF THE ORGANIZATION

The Ottawa Hospital (the "Hospital") is an academic health sciences centre and is principally involved in providing health care services to the Champlain Local Health Integration Network. The Hospital is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The non-consolidated financial statements have been prepared by management in accordance with the accounting policies described below.

Basis of presentation

These financial statements reflect the assets, liabilities and operations of the Hospital.

These financial statements do not include the assets, liabilities or operations of the University of Ottawa Heart Institute, a controlled entity, and 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, Eastern Ontario Regional Laboratory Association Inc. and Champlain Health Supply Services. The summarized financial information of the University of Ottawa Heart Institute and The Ottawa Hospital Residence Corporation is disclosed in Note 13.

Adoption of new accounting standards

As at April 1, 2012, the Hospital adopted Public Sector Accounting Handbook Section 3450, "Financial Instruments". This new standard provides guidance for recognition, measurement and disclosure of financial instruments. The transitional provisions in the standard state that when a government organization applies this standard in the same period it adopts Canadian Public Sector Accounting Standards for the first time, this standard cannot be applied retroactively. Comparative amounts are presented in accordance with the accounting policies applied by the government organization immediately preceding its adoption of Canadian Public Sector Accounting Standards. Consequently, unrealized gains and losses reported in the opening statement of financial position remain in unrestricted deficiency.

There were no quantitative impacts on the Statement of Financial Position. Note 12 to the financial statements provides the disclosure requirements of this new standard.

THE OTTAWA HOSPITAL

Notes to the Non-Consolidated Financial Statements

year ended March 31, 2013
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 of Ontario. 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 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.

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

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.

Inventories

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

THE OTTAWA HOSPITAL
Notes to the Non-Consolidated Financial Statements
year ended March 31, 2013
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of financial instruments

All financial instruments reported on the Statement of Financial Position of the Hospital are classified as follows:

Cash	Fair value
Short-term investments	Fair value
Accounts receivable	Amortized cost
Investments held for capital purchases	Fair value
Cash held in trust	Fair value
Bank indebtedness	Fair value
Accounts payable and accrued liabilities	Amortized cost
Payable to The Ottawa Hospital Residence Corporation	Amortized cost

Short-term investments and investments

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. Investment income on restricted investments is capitalized until the related expenditures are incurred.

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 as follows:

Land improvements	3 - 25 years
Buildings	10 - 50 years
Building service equipment	5 - 25 years
Major equipment	3 - 20 years

THE OTTAWA HOSPITAL
Notes to the Non-Consolidated Financial Statements
year ended March 31, 2013
(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred contributions related to funds held in trust

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 not expenses.

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.

Adjustments arising from plan amendments, including past service costs, are recognized in the year that the plan amendments occur. Actuarial gains or losses are amortized over the average remaining service period of active employees.

The Hospital is an employer member of the Healthcare 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.

Use of estimates

The preparation of these financial statements 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. The most significant estimates used in preparing these financial statements include the estimated useful lives of capital assets, the assumptions underlying the employee future benefit liability calculation, the amount of accrued liabilities and the allowance for doubtful accounts.

THE OTTAWA HOSPITAL
Notes to the Non-Consolidated Financial Statements
year ended March 31, 2013
(in thousands of dollars)

3. ADOPTION OF NEW ACCOUNTING FRAMEWORK

During the year ended March 31, 2013, the Hospital adopted Canadian public sector accounting standards for government not-for-profit organizations. In accordance with Section 2125 of the Public Sector Accounting Handbook, *First-time adoption by government organizations*, ("Section 2125"), the date of transition to the new standards is April 1, 2011 and the Hospital has prepared and presented an opening statement of financial position at the date of transition to the new standards. This opening statement of financial position is the starting point for the Hospital's accounting under the new standards. In its opening statement of financial position, under the recommendations of Section 2125, the Hospital:

- (a) recognized all assets and liabilities whose recognition is required by the new standards;
- (b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;
- (c) reclassified items that it recognized previously as one type of asset, liability or component of equity, but are recognized as a different type of asset, liability or component of equity under the new standards; and
- (d) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 2125, the accounting policies set out in Note 2 have been consistently applied to all years presented and adjustments resulting from the adoption of the new standards have been applied retrospectively excluding cases where optional exemptions available under Section 2125 have been applied.

THE OTTAWA HOSPITAL
Notes to the Non-Consolidated Financial Statements
year ended March 31, 2013
(in thousands of dollars)

3. ADOPTION OF A NEW ACCOUNTING FRAMEWORK (Continued)

Impact of the adoption of the new standards as at April 1, 2011.

The impact of the adoption of the new standards on the statement of financial position items as at April 1, 2011 is summarized as follows:

	Balance as previously reported as at March <u>31, 2011</u>	<u>Adjustment</u>	<u>Reference</u>	Balance as adjusted as at April 1, <u>2011</u> (Unaudited) (Note 3)
Assets				
Short-term investments	\$ 1,255	\$ -		\$ 1,255
Accounts receivable	60,010	-		60,010
Inventories	10,945	-		10,945
Prepaid expenses	6,036	-		6,036
Capital grants receivable	28,129	-		28,129
Investments held for capital purchases	71,425	-		71,425
Capital assets	569,931	-		569,931
Funds held in trust	33,472	-		33,472
	<u>781,203</u>	<u>-</u>		<u>781,203</u>
Liabilities and other components				
Bank indebtedness	49,804	-		49,804
Accounts payable and accrued liabilities	217,641	-		217,641
Payable to The Ottawa Hospital Residence Corporation	4,212	-		4,212
Employee future benefits	24,081	3,667	(a)	27,748
Deferred contributions related to capital assets	399,157	-		399,157
Deferred contributions related to funds held in trust	33,472	-		33,472
Invested in capital assets	203,620	-		203,620
Unrestricted deficiency	(150,784)	(3,667)	(a)	(154,451)
	<u>\$ 781,203</u>	<u>\$ -</u>		<u>\$ 781,203</u>

THE OTTAWA HOSPITAL
Notes to the Non-Consolidated Financial Statements
year ended March 31, 2013
(in thousands of dollars)

3. ADOPTION OF A NEW ACCOUNTING FRAMEWORK (Continued)

Impact of the adoption of the new standards as at March 31, 2012.

The impact of the adoption of the new standards on the statement of financial position items as at March 31, 2012 is summarized as follows:

	Balance as previously reported as at March 31, <u>2012</u>	<u>Adjustment</u>	<u>Reference</u>	Balance as adjusted as at March 31, <u>2012</u> (Unaudited) (Note 3)
Assets				
Short-term investments	\$ 1,010	\$ -		\$ 1,010
Accounts receivable	56,801	-		56,801
Inventories	11,800	-		11,800
Prepaid expenses	5,438	-		5,438
Capital grants receivable	24,765	-		24,765
Investments held for capital purchases	74,335	-		74,335
Capital assets	592,143	-		592,143
Funds held in trust	32,749	-		32,749
	<u>799,041</u>	<u>-</u>		<u>799,041</u>
Liabilities and other components				
Bank indebtedness	22,867	-		22,867
Accounts payable and accrued liabilities	237,664	-		237,664
Payable to The Ottawa Hospital Residence Corporation	4,565	-		4,565
Employee future benefits	31,237	11,385	(b)	42,622
Deferred contributions related to capital assets	412,101	-		412,101
Deferred contributions related to funds held in trust	32,749	-		32,749
Invested in capital assets	218,668	-		218,668
Unrestricted deficiency	(160,810)	(11,385)	(b)	(172,195)
	<u>\$ 799,041</u>	<u>\$ -</u>		<u>\$ 799,041</u>

THE OTTAWA HOSPITAL
Notes to the Non-Consolidated Financial Statements
year ended March 31, 2013
(in thousands of dollars)

3. ADOPTION OF A NEW ACCOUNTING FRAMEWORK (Continued)

Impact of the adoption of the new standards on the statement of operations for the year ended March 31, 2012.

	Balance as previously reported March 31, <u>2012</u>	<u>Adjustment</u>	<u>Reference</u>	Balance as adjusted March 31, <u>2012</u> (Unaudited) (Note 3)
Revenue	\$1,039,571			\$ 1,039,571
Expenses				
Salaries and wages	544,223	\$ -		544,223
Employee benefits	141,736	7,718	(c)	149,454
Supplies and other	123,835	-		123,835
Medical and surgical	59,473	-		59,473
Medical staff remuneration	82,219	-		82,219
Drugs	54,112	-		54,112
Interest	37	-		37
Amortization of equipment	33,021	-		33,021
	1,038,656	-		1,046,374
Excess of revenue over expenses before the undernoted items	915	(7,718)	(c)	(6,803)
Parking revenues	16,650	-		16,650
Parking expenses	(4,330)	-		(4,330)
Amortization of deferred contributions related to buildings	13,814	-		13,814
Amortization of buildings and land improvements	(22,027)	-		(22,027)
Excess (deficiency) of revenue over expenses	\$ 5,022	\$ (7,718)	(c)	\$ (2,696)

THE OTTAWA HOSPITAL
Notes to the Non-Consolidated Financial Statements
year ended March 31, 2013
(in thousands of dollars)

3. ADOPTION OF A NEW ACCOUNTING FRAMEWORK (Continued)

Explanations of adjustments

(a) Employee future benefits liability as at April 1, 2011

The Hospital elected at the transition to recognize all unamortized gains and losses and past service costs at the transition date of April 1, 2011; as such, this resulted in an increase of the employee future benefit liability and a decrease of net assets for an amount of \$3,667.

(b) Employee future benefits liability as at March 31, 2012

The Hospital has elected to recognize all unamortized gains and losses into unrestricted net assets at the transition date of April 1, 2011; as such, actuarial losses that were recognized as a liability as at March 31, 2012 are \$11,385.

(c) Employee future benefits expense for the year ended March 31, 2012

The additional expense of \$7,718 represents the net increase of the variance in the employee future benefit liability between March 31, 2012 and April 1, 2011.

4. ACCOUNTS AND CAPITAL GRANTS RECEIVABLE

Accounts receivable:

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited) (Note 3)	(Unaudited) (Note 3)
Accounts receivable from patients	\$ 30,347	\$ 28,013	\$ 28,152
Ministry of Health and Long-Term Care	13,435	10,266	11,047
University of Ottawa Heart Institute (Note 13)	1,441	9,275	8,231
Ottawa Hospital Research Institute (Note 13)	3,838	1,851	1,884
Eastern Ontario Regional Laboratory Association Inc. (Note 13)	4,798	1,119	13
Other	14,353	9,904	13,983
	68,212	60,428	63,310
Less: allowance for doubtful accounts	(3,174)	(3,627)	(3,300)
	\$ 65,038	\$ 56,801	\$ 60,010

THE OTTAWA HOSPITAL
Notes to the Non-Consolidated Financial Statements
year ended March 31, 2013
(in thousands of dollars)

4. ACCOUNTS AND CAPITAL GRANTS RECEIVABLE (Continued)

Accounts receivable (continued):

An analysis of the age of the Hospital's receivables as at March 31, 2013 is as follows:

	<u>0-30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>Over 90 days</u>	<u>Total</u>
Accounts receivables from patients	\$ 9,530	\$ 8,502	\$ 2,766	\$ 9,549	\$ 30,347
Ministry of Health and Long-Term Care	7,820	713	380	4,522	13,435
Ottawa Hospital Research Institute (Note 13)	3,838	-	-	-	3,838
Eastern Ontario Regional Laboratory Association Inc. (Note 13)	4,798	-	-	-	4,798
University of Ottawa Heart Institute (Note 13)	1,441	-	-	-	1,441
Other	8,709	4,043	248	1,353	14,353
Allowance for doubtful accounts	(583)	(319)	(104)	(2,168)	(3,174)
	\$ 35,553	\$ 12,939	\$ 3,290	\$ 13,256	\$ 65,038

The allowance for doubtful accounts relates to accounts receivables from patients and is determined based on prior experience with similar accounts.

THE OTTAWA HOSPITAL
Notes to the Non-Consolidated Financial Statements
year ended March 31, 2013
(in thousands of dollars)

4. ACCOUNTS AND CAPITAL GRANTS RECEIVABLE (Continued)

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.

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited) (Note 3)	(Unaudited) (Note 3)
The Ottawa Hospital Foundation (Note 13)	\$ 3,694	\$ 6,261	\$ 9,015
Eastern Ontario Regional Laboratory Association Inc. (Note 13)	7,834	7,834	7,834
University of Ottawa	-	477	2,112
Ministry of Health and Long-Term Care	-	-	8,035
Ottawa Hospital Research Institute (Note 13)	-	9,873	-
Children's Hospital of Eastern Ontario	-	143	1,164
Other	(131)	177	(31)
	\$ 11,397	\$ 24,765	\$ 28,129

5. CAPITAL ASSETS

	March 31, 2013		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 1,618	\$ -	\$ 1,618
Land improvements	5,336	5,258	78
Buildings	656,028	234,211	421,817
Building service equipment	128,352	80,140	48,212
Major equipment	327,086	236,346	90,740
Construction in progress	30,473	-	30,473
	\$ 1,148,893	\$ 555,955	\$ 592,938

THE OTTAWA HOSPITAL
Notes to the Non-Consolidated Financial Statements
year ended March 31, 2013
(in thousands of dollars)

5. CAPITAL ASSETS (Continued)

		March 31, 2012		April 1, 2011
	Cost	Accumulated Amortization (Unaudited) (Note 3)	Net Book Value	Net Book Value (Unaudited) (Note 3)
Land	\$ 1,618	\$ -	\$ 1,618	\$ 1,618
Land improvements	5,336	5,206	130	183
Buildings	652,658	217,073	435,585	384,635
Building service equipment	116,405	74,650	41,755	29,527
Major equipment	566,037	471,050	94,987	82,754
Construction in progress	18,068	-	18,068	71,214
	<u>\$ 1,360,122</u>	<u>\$ 767,979</u>	<u>\$ 592,143</u>	<u>\$ 569,931</u>

Cost and accumulated amortization of capital assets at April 1, 2011 amounted to \$1,283,601 and \$713,670 respectively.

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, 2013 (March 31, 2012 - \$NIL, 2011 - \$NIL). This line of credit is unsecured and bears interest at prime. The Hospital also had an overdraft of \$NIL (March 31, 2012 - \$22,867, 2011 - \$49,804) that was borrowed against investments held for capital purchases.

7. EMPLOYEE FUTURE BENEFITS

The Hospital offers a defined benefit plan which 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 March 31, 2013.

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7. EMPLOYEE FUTURE BENEFITS (Continued)

At March 31, the Hospital's liability associated with the benefit plan is as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited) (Note 3)	(Unaudited) (Note 3)
Accrued benefit obligation	\$ 49,690	\$ 44,506	\$ 27,748
Unamortized experience losses	(5,883)	(1,884)	-
Employee future benefit liability	\$ 43,807	\$ 42,622	\$ 27,748

The Hospital's defined benefit plan is not 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:

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited) (Note 3)	(Unaudited) (Note 3)
Discount rate to determine accrued benefit obligation	3.94%	4.69%	5.63%
Dental cost increases	3.50%	3.50%	3.50%
Extended healthcare cost escalations, decreasing by 0.5% per annum to an ultimate rate of 4.5% thereafter	7.50%	7.50%	7.50%
Expected average remaining service life of employees	15 years	15 years	15 years

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7. EMPLOYEE FUTURE BENEFITS (Continued)

The employee future benefit liability change for the year ended March 31, 2013 is \$1,185 (2012 - \$14,874). This amount is comprised of:

	March 31, 2013	March 31, 2012
		(Unaudited) (Note 3)
Additional benefit expense	\$ 3,585	\$ 16,985
Benefit payments made by the Hospital during the year	(2,400)	(2,111)
	\$ 1,185	\$ 14,874

8. DEFERRED CONTRIBUTIONS

Related to funds held in trust

Deferred contributions related to funds held in trust represent the aggregate balance of funds held in trust for third parties.

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

	March 31, 2013	March 31, 2012
		(Unaudited) (Note 3)
Balance, beginning of year	\$ 32,749	\$ 33,472
Add contributions received during the year	12,154	10,987
Interest earned during the year	41	35
Less disbursements made during the year	(11,705)	(11,745)
	\$ 33,239	\$ 32,749

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8. DEFERRED CONTRIBUTIONS (Continued)

Related to capital assets

Deferred 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:

	March 31, 2013	March 31, 2012 <u>(Unaudited)</u> (Note 3)
Balance, beginning of year	\$ 412,101	\$ 399,157
Add contributions received during the year	21,728	32,135
Less amounts amortized for equipment	(4,920)	(5,377)
Less amounts amortized for buildings	(13,617)	(13,814)
	<u>\$ 415,292</u>	<u>\$ 412,101</u>

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

	March 31, 2013	March 31, 2012 <u>(Unaudited)</u> (Note 3)	April 1, 2011 <u>(Unaudited)</u> (Note 3)
Unamortized capital contributions (Note 10)	\$ 367,587	\$ 373,475	\$ 366,311
Unspent capital contributions	47,705	38,626	32,846
	<u>\$ 415,292</u>	<u>\$ 412,101</u>	<u>\$ 399,157</u>

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9. 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 unrestricted net assets due to past operations. As profitable operations are achieved, this deficiency of unrestricted net assets will be reduced. Once the deficiency in unrestricted net assets is eliminated, the objective 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 from the prior year.

10. INVESTED IN CAPITAL ASSETS

Invested in capital assets is calculated as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited) (Note 3)	(Unaudited) (Note 3)
Capital assets	\$ 592,938	\$ 592,143	\$ 569,931
Amounts financed by:			
Deferred contributions related to capital assets (Note 8)	(367,587)	(373,475)	(366,311)
	\$ 225,351	\$ 218,668	\$ 203,620

Net change in invested in capital assets is calculated as follows:

	March 31, 2013	March 31, 2012
		(Unaudited) (Note 3)
Purchase of capital assets	\$ 58,609	\$ 77,260
Amounts funded by deferred contributions	(12,649)	(26,355)
Proceeds on disposal of equipment	(20)	-
Loss on disposal of capital assets	(74)	-
Amortization of deferred contributions related to capital assets	18,537	19,191
Amortization of capital assets	(57,720)	(55,048)
	\$ 6,683	\$ 15,048

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10. INVESTED IN CAPITAL ASSETS (Continued)

Investments held for capital purchases 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.

11. PENSION PLAN

Substantially all of the employees of the Hospital are members of the Healthcare 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 \$44,045 (2012 - \$46,216) and are included in the statement of operations.

In consultation with its actuaries, pension expense is based on Plan management's best estimates, 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, 2012 indicates the plan is fully funded.

12. FINANCIAL INSTRUMENTS

Establishing fair value

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

The fair value of capital grants receivable is not determinable as there are no fixed repayment terms.

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12. FINANCIAL INSTRUMENTS (Continued)

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

Fair value hierarchy

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash, short-term investments, investments held for capital purchases, funds held in trust and bank indebtedness are Level 1 fair values.

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 as disclosed in Note 4. Management believes its allowance for doubtful accounts is sufficient on its receivables from patients and has implemented collection recovery procedures to mitigate its credit risk.

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13. RELATED ENTITIES

The Ottawa Hospital Foundation:

The Hospital has an economic interest in The Ottawa Hospital Foundation (the "Foundation"), a tax-exempt entity without share capital incorporated under the laws of Ontario. 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 \$8,137 (2012 - \$11,608) from the Foundation. As at March 31, 2013, the Hospital had a capital grant receivable from the Foundation amounting to \$3,694 (March 31, 2012 - \$6,261, April 1, 2011 - \$9,015) and an endowment receivable of \$530 (March 31, 2012 - \$531, April 1, 2011 - \$350). 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.

University of Ottawa Heart Institute:

The Hospital exercises control over the University of Ottawa Heart Institute, a tax-exempt charity, incorporated under the laws of Ontario.

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 University of Ottawa Heart Institute has an accumulated unrestricted net asset deficiency of \$10,744 at March 31, 2013 (March 31, 2012 - \$10,641, April 1, 2011 - \$8,822).

As at March 31, 2013, the Hospital had a receivable from the University of Ottawa Heart Institute amounting to \$1,441 (March 31, 2012 - \$9,275, April 1, 2011 - \$8,231), bearing interest at prime. This receivable has no fixed terms of repayment.

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13. RELATED ENTITIES (Continued)

University of Ottawa Heart Institute (Continued)

The summarized assets, liabilities and results of operations for the University of Ottawa Heart Institute are as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited)	(Unaudited)
Financial position:			
Total assets	\$ 61,607	\$ 70,681	\$ 68,868
Total liabilities	\$ 60,721	\$ 69,862	\$ 67,054
Net assets	886	819	1,814
	\$ 61,607	\$ 70,681	\$ 68,868
Results of operations:			
Total revenue	\$ 162,169	\$ 156,974	
Total expenses	162,102	157,627	
Excess (deficiency) of revenue over expenses	\$ 67	\$ (653)	
Cash flows:			
Operating	\$ (4,379)	\$ 6,925	
Investing	(2,404)	(4,324)	
Financing	180	1,745	
Cash flows for the year	\$ (6,603)	\$ 4,346	

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13. RELATED ENTITIES (Continued)

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, 2013, the Hospital had a capital grant receivable from the Institute in the amount of \$NIL (March 31, 2012 - \$9,873, April 1, 2011 - \$NIL) and an operational receivable from the Institute amounting to \$3,838 (March 31, 2012 - \$1,851, April 1, 2011 - \$1,884). The Hospital provided \$4,352 (2012 - \$4,352) of base funding in support of resources to the Institute during fiscal 2013. The Hospital also provided \$155 (2012 - \$150) for specific operating expenditures to the Institute. These amounts are recorded in supplies and other on the Statement of Operations.

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 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 \$4,118 (March 31, 2012 - \$4,565, April 1, 2011 - \$4,212), is subject to an interest rate of prime minus 1.85%, is due on demand and has no fixed terms of repayment.

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13. RELATED ENTITIES (Continued)

The Ottawa Hospital Residence Corporation (Continued):

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

	December 31, 2012	December 31, 2011	January 1, 2011
	<u> </u>	<u> </u>	<u> </u>
		(Unaudited)	(Unaudited)
Financial position:			
Total assets	\$ 5,590	\$ 7,486	\$ 6,145
Total liabilities	\$ 218	\$ 106	\$ 205
Net assets	5,372	7,380	5,940
	\$ 5,590	\$ 7,486	\$ 6,145
Results of operations:			
Total revenue	\$ 2,801	\$ 2,724	
Total expenses	4,809	1,284	
Excess (deficiency) of revenue over expenses	\$ (2,008)	\$ 1,440	
Cash flows:			
Operating	\$ (1,594)	\$ 2,037	
Investing	(184)	(81)	
Cash flows for the year	\$ (1,778)	\$ 1,956	

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.

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13. RELATED ENTITIES (Continued)

Hospital Food Services - Ontario Inc. and Ottawa Regional Hospital Linen Services Incorporated (Continued):

At March 31, 2013, the Hospital had an economic interest of \$3,642 (March 31, 2012 - \$3,609, April 1, 2011 - \$3,511) of total net assets of \$5,969 (March 31, 2012 - \$5,898, April 1, 2011 - \$5,683) of HFS. The corresponding interest in ORHLS was \$6,965 (March 31, 2012 - \$7,143, April 1, 2011 - \$6,518) of total net assets of \$12,133 (March 31, 2012 - \$12,428, April 1, 2011 - \$11,412).

For the year ended March 31, 2013, the Hospital provided \$1,564 (2012 - \$1,463) to HFS for food services and \$9,154 (2012 - \$9,400) to ORHLS for linen services. These amounts have been included in supplies and other on the Statement of Operations.

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 Hospital entered into a contract with the Ministry of Health and Long-term Care of Ontario to construct a regional laboratory, including investments in capital equipment. As at March 31, 2013, The Ottawa Hospital had completed the project, at a total cost of \$25,376, of which \$7,834 (March 31, 2012 - \$7,834, April 1, 2011 - \$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.

At March 31, 2013, the Hospital had an economic interest of \$1,233 of total net assets of \$2,418. The Hospital also had a capital grant receivable from EORLA in the amount of \$7,834 (March 31, 2012 - \$7,834, April 1, 2011 - \$7,834) and an operational receivable of \$4,798 (March 31, 2012 - \$1,119, April 1, 2011 - \$13).

Champlain Health Supply Services:

The Hospital is a founding member of Champlain Health Supply Services ("CHSS"). CHSS was established to implement shared service collaboration for the hospitals in the Champlain Region that will integrate the operations of sourcing, procurement and logistics across the region.

As at March 31, the Hospital had a payable of \$601 (March 31, 2012 - \$560, April 1, 2011 - \$503) to CHSS relating to expenses paid by CHSS on behalf of the Hospital.

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14. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	<u>2013</u>	<u>2012</u> (Unaudited) (Note 3)
Short-term investments	\$ (147)	\$ 245
Accounts receivable	(8,237)	3,209
Inventories	(1,715)	(855)
Prepaid expenses	(1,032)	598
Accounts payable and accrued liabilities	16,325	20,023
	<u>\$ 5,194</u>	<u>\$ 23,220</u>

15. COMMITMENTS, CONTINGENCIES AND GUARANTEES

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, 2013, 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.

A group of hospitals, including the Hospital, have formed the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces and territories where it is licensed. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the year in which they were a subscriber. No such assessments have been made to March 31, 2013.

At March 31, 2013, HFS had \$6,423 (March 31, 2012 - \$6,796, April 1, 2011 - \$8,917) outstanding on an available line of credit of \$7,851 (March 31, 2012 - \$9,806, April 1, 2011 - \$9,800), 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, 2013, the Hospital's share of the potential debt repayment should HFS default on the line of credit is \$3,089 (March 31, 2012 - \$3,269, April 1, 2011 - \$4,289). As at the date of the audit report, there has been no such request by the debtor.

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15. COMMITMENTS, CONTINGENCIES AND GUARANTEES (Continued)

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.

At March 31, 2013, the Hospital has not recorded an environmental liability as the probability and the measurement of such costs are indeterminable at this time.

At March 31, 2013, letters of credit totaling \$1,335 (March 31, 2012 - \$1,335, April 1, 2011 - \$1,335) 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.

The Hospital has construction in progress recorded in capital assets of \$30,473 at March 31, 2013 (March 31, 2012 - \$18,068, April 1, 2011 - \$71,214). The cost to complete this construction is estimated at \$43,934 (March 31, 2012 - \$46,354, April 1, 2011 - \$28,064).

The Hospital has entered into an agreement to upgrade their laboratory systems and recorded in capital assets an amount of \$5,244 as of March 31, 2013 (March 31, 2012 - \$4,382, April 1, 2011 - \$2,727). The cost to complete the upgrade is estimated at \$420 (March 31, 2012 - \$1,281, April 1, 2011 - \$2,937).

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

17. NON RECURRING FUNDING

The Hospital will be receiving up to \$69,319 in one time funding over the current and next two fiscal years to specifically address the Hospital's adjusted working funds deficit position. As indicated in the funding agreement, this funding is non-recurring and must be used solely to address the working funds deficit position. The amount of additional one-time funding recognized for the year ending March 31, 2013 is \$23,107.