Non-consolidated financial statements of

The Ottawa Hospital

March 31, 2015

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Table of contents

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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, 2015, 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. The non-consolidated financial statements have been prepared by management in accordance with the basis of accounting described in Note 2 to the financial statements to comply with the financial reporting requirements of the Ministry of Health and Long-Term Care of Ontario.

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 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.

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, 2015, 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 financial statements.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2 to the non-consolidated financial statements, which describes the basis of accounting. The non-consolidated financial statements are prepared to assist the Hospital to meet the 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.

Other Matter

The Hospital has prepared a separate set of consolidated financial statements for the year ended March31, 2015 in accordance with Canadian public sector accounting standards for government not-for-profit organizations, on which we issued a separate auditor's report to the Board of Governors of the Hospital dated June 3, 2015.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

June 3, 2015

The Ottawa Hospital

Non-consolidated statement of financial position
as at March 31, 2015

(in thousands of dollars)

	2015	2014
	$	$
Assets		
Current assets		
Cash	**12,962**	20,610
Short-term investments	**1,572**	1,551
Accounts receivable (Note 3)	**74,578**	62,249
Inventories	**15,806**	14,873
Prepaid expenses	**9,961**	6,987
	114,879	106,270
Capital grants receivable (Note 3)	**10,201**	11,719
Assets restricted for capital purchases (Note 4)	**104,992**	88,443
Capital assets (Note 5)	**584,292**	576,904
Funds held in trust (Note 6)	**29,713**	31,231
	844,077	814,567
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**201,379**	210,631
Deferred contributions	**12,487**	11,283
	213,866	221,914
Employee future benefits (Note 8)	**50,428**	46,217
Deferred contributions related to capital assets (Note 9)	**420,628**	410,878
Funds held in trust (Note 6)	**29,713**	31,231
	714,635	710,240
Commitments, contingencies and guarantees (Note 16)		
Net assets (deficiency)		
Invested in capital assets (Note 11)	**214,759**	213,062
Unrestricted deficiency	**(85,317)**	(108,735)
	129,442	104,327
	844,077	814,567

Approved by the Board

_______________ Chairman

_______________ President and CEO

See accompanying notes to the financial statements.

The Ottawa Hospital

Non-consolidated statement of operations
year ended March 31, 2015
(in thousands of dollars)

	2015	2014
	$	$
Revenue		
Ministry of Health and Long-Term Care of Ontario	**858,820**	877,226
Patient services	**120,863**	118,938
Recoveries and other operating	**69,457**	55,523
Preferred accomodation	**9,849**	10,806
Marketed services	**7,475**	7,447
Investment	**1,639**	943
Amortization of deferred contributions related to major equipment (Note 9)	**7,111**	5,545
Connecting Northern & Eastern Ontario (Note 17)	**9,107**	-
	1,084,321	1,076,428
Expenses		
Salaries and wages	**531,952**	501,844
Employee benefits	**137,840**	134,677
Supplies and other operating	**177,027**	200,571
Medical and surgical supplies	**62,431**	61,764
Medical staff remuneration	**70,711**	73,388
Drugs	**66,248**	59,889
Interest	**517**	216
Amortization of major equipment	**28,227**	34,825
Connecting Northern & Eastern Ontario Program (Note 17)	**9,107**	-
	1,084,060	1,067,174
Excess of revenue over expenses before the undernoted items and non-recurring item	**261**	9,254
Parking revenue	**18,400**	17,330
Parking expenses	**(5,912)**	(9,239)
Amortization of deferred contributions related to buildings (Note 9)	**14,028**	13,834
Amortization of buildings and land improvements	**(24,768)**	(23,997)
Excess of revenue over expenses after the overnoted items but before non-recurring item	**2,009**	7,182
Non-recurring funding (Note 19)	**23,106**	23,107
Excess of revenue over expenses	**25,115**	30,289

See accompanying notes to the financial statements.

The Ottawa Hospital

Non-consolidated statement of changes in net assets
year ended March 31, 2015
(in thousands of dollars)

	Invested in capital assets	Unrestricted	**2015**	2014
	$ (Note 11)	**$**	**$**	$
Balance, beginning of year	**213,062**	**(108,735)**	**104,327**	74,038
Excess of revenue over expenses	**-**	**25,115**	**25,115**	30,289
Net change in investment in capital assets (Note 11)	**1,697**	**(1,697)**	**-**	-
Balance, end of year	**214,759**	**(85,317)**	**129,442**	104,327

See accompanying notes to the financial statements.

The Ottawa Hospital

Non-consolidated statement of cash flow
year ended March 31, 2015

(in thousands of dollars)

	2015	2014
	$	$
Operating activities		
Excess of revenue over expenses	**25,115**	30,289
Items not affecting cash:		
Amortization of capital assets	**52,995**	58,822
Amortization of deferred contributions related to capital assets	**(21,139)**	(19,379)
Gain on disposal of capital assets	**(968)**	(7)
Net increase in employee future benefits (Note 8)	**4,211**	2,410
	60,214	72,135
Changes in non-cash operating working capital items (Note 15)	**(24,305)**	(35,673)
	35,909	36,462
Financing activities		
Deferred contributions related to capital assets received (Note 9)	**15,013**	14,965
Proceeds on disposal of capital assets	**4,024**	7
	19,037	14,972
Capital activities		
Purchase of capital assets	**(47,563)**	(42,788)
Investing activities		
Net decrease (increase) in capital grants receivable	**1,518**	(322)
Increase in assets restricted for capital purchases	**(16,549)**	(7,421)
	(15,031)	(7,743)
Net cash (outflow) inflow	**(7,648)**	903
Cash, beginning of year	**20,610**	19,707
Cash, end of year	**12,962**	20,610

Cash includes $5,342 that is restricted for the HIROC Claim Defense Fund.

See accompanying notes to the financial statements.

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 significant accounting policies described below to comply with the financial reporting requirements of the Ministry of Health and Long-Term Care of Ontario. The Hospital has also prepared general purpose financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations which consolidates the University of Ottawa Heart Institute.

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, Eastern Ontario Regional Laboratory Association Inc., its auxiliaries, Hospital Food Services - Ontario Inc., Ottawa Regional Hospital Linen Services Incorporated 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 14.

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 are recorded in the period in which the adjustments are 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 Patient services, Preferred accommodation, Marketed services and other operating are recognized when the goods are sold or the services are 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.

(in thousands of dollars)

2. Significant accounting policies (continued)

Inventories

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

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
Capital grants receivable	Amortized cost
Assets restricted for capital purchases	Fair value
Funds held in trust	Fair value
Accounts payable and accrued liabilities	Amortized cost

Short-term 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. Land is not amortized due to its infinite life. Construction in progress is not amortized until the project is complete and the assets come into use. Capital assets are amortized on a straight-line basis over their expected useful lives as follows:

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

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 heath care costs. The most recent actuarial valuation was performed as at March 31, 2013 and extrapolated to March 31, 2015. The next scheduled valuation will be as at March 31, 2016.

2. Significant accounting policies (continued)

Employee benefit plans (continued)

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 revenue 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 certain accrued liabilities and the allowance for doubtful accounts.

Adoption of a new accounting standard

On April 1, 2014, the Hospital adopted the new Public Sector Accounting Standard Handbook Section 3260, *Liability for Contaminated Sites* (PS 3260). This section establishes standards on how to account for and report a liability associated with the remediation of contaminated sites. Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds the maximum acceptable concentrations under an environmental standard. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Hospital is:
  - directly responsible; or
  - accepts responsibility
- the Hospital expects that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The adoption of the new PS 3260 standard has not resulted in any changes to the measurement and recognition of environmental liabilities in the Hospital's financial statements.

(in thousands of dollars)

3. Accounts and capital grants receivable

Accounts receivable

	2015	2014
	$	$
Accounts receivable from patients	**29,158**	29,751
Ministry of Health and Long-Term Care of Ontario	**13,874**	5,862
University of Ottawa Heart Institute (Note 14)	**8,318**	8,226
Eastern Ontario Regional Laboratory Association Inc. (Note 14)	**4,102**	7,750
Other	**22,277**	13,670
Less: allowance for doubtful accounts	**(3,151)**	(3,010)
	74,578	62,249

An analysis of the aging of the Hospital's receivables as at March 31, 2015 is as follows:

	0-30 days	31-60 days	61-90 days	Over 90 days	**Total**
	$	$	$	$	**$**
Accounts receivables from patients	10,520	8,773	2,075	7,790	**29,158**
Ministry of Health and Long-Term Care of Ontario	11,770	1,056	-	1,048	**13,874**
University of Ottawa Heart Institute (Note 14)	8,318	-	-	-	**8,318**
Eastern Ontario Regional Laboratory Association Inc. (Note 14)	4,102	-	-	-	**4,102**
Other	17,869	2,842	303	1,263	**22,277**
Allowance for doubtful accounts	(544)	(221)	(172)	(2,214)	**(3,151)**
	52,035	12,450	2,206	7,887	**74,578**

An analysis of the aging of the Hospital's receivables as at March 31, 2014 is as follows:

	0-30 days	31-60 days	61-90 days	Over 90 days	Total
	$	$	$	$	$
Accounts receivables from patients	10,313	8,509	2,793	8,136	29,751
Ministry of Health and Long-Term Care of Ontario	2,335	2,511	471	545	5,862
University of Ottawa Heart Institute (Note 14)	8,226	-	-	-	8,226
Eastern Ontario Regional Laboratory Association Inc. (Note 14)	7,750	-	-	-	7,750
Other	10,837	1,854	137	842	13,670
Allowance for doubtful accounts	(446)	(332)	(89)	(2,143)	(3,010)
	39,015	12,542	3,312	7,380	62,249

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

(in thousands of dollars)

3. Accounts and capital grants receivable (continued)

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.

	2015	2014
	$	$
The Ottawa Hospital Foundation (Note 14)	**2,367**	3,888
Eastern Ontario Regional Laboratory Association Inc. (Note 14)	**7,834**	7,834
Other	**-**	(3)
	10,201	11,719

4. Assets restricted for capital purchases

Assets restricted for capital purchases is comprised of $51,095 (2014 - $47,036) related to funding received and restricted for the purpose of capital expenditures and $53,897 (2014 - $41,407) in net parking revenue that has been restricted for the purchase of capital expenditures. The funds are held with the Hospital's bank, earning interest at a rate of prime less 1.75% and are classified as long-term as the associated cash outflow is not expected to occur within one year.

5. Capital assets

			2015	2014
	Cost	**Accumulated amortization**	**Net book value**	Net book value
	$	**$**	**$**	$
Land	**897**	**-**	**897**	1,618
Land improvements	**5,336**	**5,336**	**-**	25
Buildings	**677,523**	**268,402**	**409,121**	425,335
Building service equipment	**149,032**	**92,458**	**56,574**	48,519
Major equipment	**392,271**	**299,380**	**92,891**	85,829
Construction in progress	**24,809**	**-**	**24,809**	15,578
	1,249,868	**665,576**	**584,292**	576,904

During the year the Hospital recorded a transfer of radiation equipment from Cancer Care Ontario at a net book value of $15,876 which was donated. An equal amount was also set up as capital contribution (Note 9).

Cost and accumulated amortization at March 31, 2014 were $1,191,663 and $614,759, respectively.

6. Funds held in trust

Funds held in trust are held with the Hospital's bank and represent the aggregate balance of funds held in trust for third parties.

(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, 2015 (2014 - $NIL). This line of credit is unsecured and bears interest at prime.

8. 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 and extrapolated to March 31, 2015.

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

	2015	2014
	$	$
Accrued benefit obligation	57,559	48,818
Unamortized experience losses	(7,131)	(2,601)
Employee future benefit liability	50,428	46,217

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:

	2015	2014
Discount rate used to determine accrued benefit obligation	3.31%	4.36%
Dental cost increases	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%
Expected average remaining service life of employees	15 years	15 years

The employee future benefit liability change for the year ended March 31, 2015 is $4,211 (2014 - $2,410). This amount is comprised of:

	2015	2014
	$	$
Current service cost	3,967	3,034
Interest on accrued benefit obligation during the year	2,128	1,954
Amortization of net experience losses	173	392
April 1, 2013 transfer to EORLA	-	(255)
Benefit payments made by the Hospital during the year	(2,057)	(2,715)
	4,211	2,410

(in thousands of dollars)

9. Deferred contributions 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 non-consolidated statement of operations.

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

	2015	2014
	$	$
Balance, beginning of the year	**410,878**	415,292
Add cash contributions received during the year	**15,013**	14,965
Add non-cash contributions received during the year (Note 5)	**15,876**	-
Less amounts amortized for major equipment	**(7,111)**	(5,545)
Less amounts amortized for buildings	**(14,028)**	(13,834)
	420,628	410,878

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

	2015	2014
	$	$
Unamortized capital contributions (Note 11)	**369,533**	363,842
Unspent capital contributions (Note 4)	**51,095**	47,036
	420,628	410,878

10. 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.

11. Invested in capital assets

Invested in capital assets is calculated as follows:

	2015	2014
	$	$
Capital assets	**584,292**	576,904
Amounts financed by deferred contributions related to capital assets (Note 9)	**(369,533)**	(363,842)
	214,759	213,062

(in thousands of dollars)

11. Invested in capital assets (continued)

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

	2015	2014
	$	$
Purchase of capital assets	**47,563**	42,788
Amounts funded by deferred cash contributions	**(10,954)**	(15,634)
Proceeds on disposal of capital assets	**(4,024)**	(7)
Gain on disposal of capital assets	**968**	7
Amortization of deferred contributions related to capital assets	**21,139**	19,379
Amortization of capital assets	**(52,995)**	(58,822)
	1,697	(12,289)

12. 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 $44,936 (2014 - $44,118) and are included in the non-consolidated 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.

13. Financial instruments

Establishing fair value

The carrying value of accounts receivable and accounts payable and accrued liabilities 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.

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.

13. Financial instruments (continued)

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, assets restricted for capital purchases and funds held in trust 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 3. 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.

14. Related entities

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 $8,602 at March 31, 2015 (2014 - $9,141). As at March 31, 2015, the Hospital had a receivable from the University of Ottawa Heart Institute amounting to $8,318 (2014 - $8,226), bearing interest at prime. This receivable has no fixed terms of repayment.

(in thousands of dollars)

14. 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:

	2015	2014
	$	$
Financial position:		
Total assets	**75,859**	71,111
Total liabilities	**73,504**	68,801
Net assets	**2,355**	2,310
	75,859	71,111

	2015	2014
	$	$
Results of operations:		
Total revenue	**168,176**	164,876
Total expenses	**168,131**	163,452
Excess of revenue over expenses	**45**	1,424

	2015	2014
	$	$
Cash flows:		
Operating	**(1,171)**	4,148
Capital	**(10,574)**	(10,245)
Financing	**6,074**	10,017
Net cash flows for the year	**(5,671)**	3,920

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 accommodation to the interns and family of patients of the Hospital, parking facilities to patients and staff of the Hospital and manages other business activities. As at March 31, 2015 the Hospital had a payable to the Corporation, amounting to $6,706 (2014 - $5,806), this amount is subject to an interest rate of prime minus 1.75%, is due on demand and has no fixed terms of repayment.

(in thousands of dollars)

14. 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:

	2014	2013
	$	$
Financial position:		
Total assets	**8,239**	7,193
Total liabilities	**330**	267
Net assets	**7,909**	6,926
	8,239	7,193

	2014	2013
	$	$
Results of operations:		
Total revenue	**2,300**	2,838
Total expenses	**1,317**	1,284
Excess of revenue over expenses	**983**	1,554

	2014	2013
	$	$
Cash flows:		
Operating	**1,252**	1,708
Investing	**13**	(14)
Net cash flows for the year	**1,265**	1,694

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 $7,945 (2014 - $9,567) from the Foundation. As at March 31, 2015, the Hospital had a capital grant receivable from the Foundation amounting to $2,367 (2014 - $3,888) and an endowment receivable of $564 (2014 - $542). 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.

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.

14. Related entities (continued)

Ottawa Hospital Research Institute (continued)

As at March 31, 2015, the Hospital had an operational payable to the Institute amounting to $3,234 (2014 - $3,741). The Hospital provided $4,336 (2014 - $8,936) of base funding in support of resources to the Institute during fiscal 2015. The Hospital also provided $150 (2014 - $150) for specific operating expenditures to the Institute. These amounts are recorded in supplies and other operating expenses on the non-consolidated 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, 2015, The Hospital had completed the project, at a total cost of $25,376 (2014 - $25,376), of which $7,834 (2014 - $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, 2015, the Hospital had an economic interest of $2,096 (2014 - $1,233) of total net assets of $5,107 (2014 - $3,004). The Hospital also had a capital grant receivable from EORLA in the amount of $7,834 (2014 - $7,834) and an operational receivable of $4,102 (2014 - $7,750).

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.

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, 2015, the Hospital had an economic interest of $3,312 (2014 - $3,723) of total net assets of $5,276 (2014 - $6,157) of HFS. The corresponding interest in ORHLS was $7,045 (2014 - $6,998) of total net assets of $12,368 (2014 - $12,189).

For the year ended March 31, 2015, the Hospital provided $1,515 (2014 - $1,557) to HFS for food services and $10,081 (2014 - $9,676) to ORHLS for linen services. These amounts have been included in supplies and other operating expenses on the non-consolidated statement of operations.

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 $30 (2014 - $150) to CHSS relating to expenses paid by CHSS on behalf of the Hospital.

(in thousands of dollars)

15. Changes in non-cash operating working capital items

	2015	2014
	$	$
Short-term investments	(21)	(394)
Accounts receivable	(12,329)	2,789
Inventories	(933)	(1,358)
Prepaid expenses	(2,974)	(517)
Accounts payable and accrued liabilities	(9,252)	(40,587)
Deferred contributions	1,204	4,394
	(24,305)	(35,673)

16. 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, 2015, 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, 2015.

At March 31, 2015, HFS had $6,923 (2014 - $7,075) outstanding on an available line of credit of $7,066 (2014 - $7,576), 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, 2015, the Hospital’s share of the potential debt repayment should HFS default on the line of credit is $3,330 (2014 - $3,403). As at the date of the audit report, there has been no such request by the debtor.

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, 2015, the Hospital has an environmentally contaminated site and has not recorded a liability for remediation costs as the probability and the measurement of such costs are indeterminable at this time.

At March 31, 2015, letters of credit totaling $36 (2014 - $NIL) 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 $24,809 at March 31, 2015 (2014 - $15,578). The cost to complete this construction is estimated at $30,393 (2014 - $40,247).

The Hospital has entered into an agreement to upgrade their laboratory systems and recorded in capital assets an amount of $5,360 as of March 31, 2015 (2014 - $5,307). The cost to complete the upgrade is estimated at $312 (2014 - $357).

17. Connecting Northern & Eastern Ontario Program

On November 20, 2014 the Hospital entered into an implementation agreement with e-Health Ontario to help establish a region-wide governance and collaborative delivery model, known as the Connecting Northern and Eastern Ontario ("cNEO") program. The cNEO program will give clinicians in Northern and Eastern Ontario secure and timely access to electronic patient health information by connecting health service providers through the integration of electronic health care systems. The project will be delivered by the Hospital who will engage four service delivery partners, one from each of the LHIN's in Northern and Eastern Ontario (South East, Champlain, North East, and North West) to provide local support to their respective health service providers. The Hospital is also engaged as the service delivery partner for the Champlain LHIN. The maximum funds under the agreement with an effective end date of February 28, 2017 is $37,119. Prior to this agreement the Hospital was engaged in two separate agreements related to the planning and development for the implementation of cNEO.

cNEO program revenue and expenses of $9,107 were recognized in 2015 (2014 - $NIL) of which $1,147 (2014 - $NIL) related to the implementation agreement. As at March 31, 2015, the Hospital had deferred contributions of $1,263 for funds not yet spent by the project.

18. Comparative figures

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

19. Non-recurring funding

The Hospital has received $69,319 in one-time funding over the three fiscal years ended March 31, 2013, 2014 and 2015 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 ended March 31, 2015 is $23,106 (2014 - $23,107).