Consolidated Financial Statements of

THE OTTAWA HOSPITAL

Year ended March 31, 2023

THE OTTAWA HOSPITAL

Table of Contents

Year ended March 31, 2023

Page

KPMG LLP
150 Elgin Street, Suite 1800
Ottawa ON K2P 2P8
Canada
Tel 613-212-5764
Fax 613-212-2896

INDEPENDENT AUDITOR'S REPORT

To the Board of Governors of The Ottawa Hospital

Opinion

We have audited the consolidated financial statements of The Ottawa Hospital (the Hospital), which comprise:

- the consolidated statement of financial position as at March 31, 2023
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of remeasurement gains and losses for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements, present fairly, in all material respects, the consolidated financial position of the Hospital as at March 31, 2023, and its consolidated results of operations, its consolidated changes in net assets, its consolidated remeasurements gains and losses and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***“Auditor's Responsibilities for the Audit of the Financial Statements”*** section of our auditor's report.

We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

Emphasis of Matter – Restatement of financial statements

We draw attention to Note 2 to the financial statements which explains that certain comparative information presented for the year ended March 31, 2022 has been restated.

Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified with respect of this matter.

Other Matter – Restatement of Financial Statements

As part of our audit of the financial statements for the year ended March 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended March 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

Our opinion is not modified with respect to this matter.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report"

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

The information, other than the financial statements and the auditor's report thereon, included in a document likely entitled "Annual Report" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Hospital's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Hospital or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Hospital's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Hospital's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 13, 2023

THE OTTAWA HOSPITAL

Consolidated Statement of Financial Position

March 31, 2023, with comparative information for 2022
(In thousands of dollars)

		2023		2022
				(Restated-note 2)
Assets				
Current assets:				
Cash	$	150,175	$	200,873
Restricted cash (note 3)		20,908		24,541
Short-term investments (note 4)		94,662		2,800
Accounts receivable (note 5(a))		168,091		172,882
Inventories		27,160		29,180
Prepaid expenses		21,964		22,248
		482,960		452,524
Capital grants receivable (note 5(b))		4,153		6,347
Assets restricted for capital purchases (note 6)		127,324		135,724
Capital assets (note 7)		944,167		917,645
Funds held in trust (note 9)		16,648		13,311
Derivative asset (note 11)		3,895		981
	$	1,579,147	$	1,526,532
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	$	443,684	$	392,830
Deferred contributions		76,315		67,891
Current portion of long-term debt (note 11)		13,214		13,102
		533,213		473,823
Long-term debt (note 11)		108,467		114,071
Employee future benefits (note 12)		73,299		70,655
Deferred contributions related to capital assets (note 13)		623,704		613,386
Funds held in trust (note 9)		16,648		13,311
Asset retirement obligations (note 8)		125,303		125,303
		1,480,634		1,410,549
Net assets (deficiency):				
Investment in capital assets (note 14)		139,001		113,979
Unrestricted assets (deficiency)		(44,383)		1,023
		94,618		115,002
Accumulated remeasurement gains		3,895		981
		98,513		115,983
Commitments, contingencies and guarantees (note 18)				
	$	1,579,147	$	1,526,532

See accompanying notes to consolidated financial statements.

DocuSigned by: ard:

058DE0D23325449... Chairperson

DocuSigned by:

2E83E23FEF14407... President and CEO

THE OTTAWA HOSPITAL

Consolidated Statement of Operations

Year ended March 31, 2023, with comparative information for 2022
(In thousands of dollars)

		2023		2022
				(Restated- note 2)
Revenue:				
Funding from Governments	$	1,369,024	$	1,299,532
Patient services		177,562		169,595
Recoveries and other operating		125,298		111,768
Preferred accommodation		10,193		10,019
Marketed services		76,007		90,574
Investment		4,853		1,363
Amortization of deferred contributions related to major equipment (note 13)		14,783		14,283
		1,777,720		1,697,134
Expenses:				
Salaries and wages		793,658		749,228
Employee benefits		208,255		191,329
Supplies and other operating		393,238		366,305
Medical and surgical supplies		137,592		127,156
Medical staff remuneration		88,606		84,753
Drugs		132,280		117,474
Interest		3,888		4,200
Amortization of major equipment		46,335		43,188
		1,803,852		1,683,633
Excess (deficiency) of revenue over expenses before undernoted items		(26,132)		13,501
Parking revenue		20,860		15,538
Parking expenses		(5,588)		(5,210)
Amortization of deferred contributions related to buildings (note 13)		27,043		27,453
Amortization of buildings and land improvements		(45,218)		(44,995)
Excess (deficiency) of revenue over expenses	$	(29,035)	$	6,287

See accompanying notes to consolidated financial statements.

THE OTTAWA HOSPITAL

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2023, with comparative information for 2022
(In thousands of dollars)

	Investment in capital assets	Unrestricted	Total 2023	Total 2022
				(Restated - note 2)
Net assets, beginning of year, previously reported	$ 196,772	$ 1,023	$ 197,795	$ 189,626
Adjustment on adoption of asset retirement obligation standard (note 2)	(82,793)	–	(82,793)	(80,911)
Net assets, beginning of year, as restated	113,979	1,023	115,002	108,715
Excess (deficiency) of revenue over expenses	–	(29,035)	(29,035)	6,287
Net change in investment in capital assets (note 14(b))	16,371	(16,371)	–	–
Contribution received for land (note 7(b))	8,651	–	8,651	–
Balance, end of year	$ 139,001	$ (44,383)	$ 94,618	$ 115,002

See accompanying notes to consolidated financial statements.

THE OTTAWA HOSPITAL

Consolidated Statement of Remeasurement Gains and Losses

Year ended March 31, 2023, with comparative information for 2022
(In thousands of dollars)

		2023		2022
Accumulated remeasurement gains (losses), beginning of year	$	981	$	(5,463)
Unrealized gains attributable to:				
Derivative asset (note 11)		2,914		6,444
Accumulated remeasurement gains, end of year	$	3,895	$	981

See accompanying notes to consolidated financial statements.

THE OTTAWA HOSPITAL

Consolidated Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022
(In thousands of dollars)

	2023	2022 (Restated- note 2)
Cash provided by (used for):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (29,035)	$ 6,287
Items not involving cash:		
Amortization of capital assets	91,874	88,338
Amortization of deferred contributions related to capital assets (note 13)	(41,826)	(41,736)
Loss on disposal of capital assets	565	85
Net increase in employee future benefits (note 12)	2,644	760
Net change in non-cash operating working capital (note 15)	66,373	120,598
	90,595	174,332
Financing activities:		
Deferred contributions related to capital assets received (note 13)	52,144	43,041
Contribution for land (note 7)	8,651	–
Repayment of long-term debt	(5,492)	(12,244)
Proceeds on disposal of capital assets	–	6
	55,303	30,803
Investing activities:		
Purchase of capital assets	(118,961)	(75,240)
Net decrease (increase) in capital grants receivable	2,194	(1,131)
Net decrease (increase) in assets restricted for capital purchases	8,400	(10,637)
Net decrease (increase) in restricted cash	3,633	(251)
Net increase in short-term investments	(91,862)	(740)
	(196,596)	(87,999)
Net increase (decrease) in cash during the year	(50,698)	117,136
Cash, beginning of year	200,873	83,737
Cash, end of year	$ 150,175	$ 200,873

See accompanying notes to consolidated financial statements.

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

1. Significant accounting policies:

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations and reflect the following significant accounting policies:

(a) Basis of presentation:

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

These consolidated financial statements include the assets, liabilities and operations of the University of Ottawa Heart Institute, a controlled entity. The University of Ottawa Heart Institute provides cardiac services to the patients of the Hospital. The business relationship between the Hospital and the University of Ottawa Heart Institute is governed by a service agreement pursuant to which clinical and administrative support is provided at fair market value, and premises are provided at no charge by the Hospital. The University of Ottawa Heart Institute is incorporated under the laws of Ontario and is a registered charity under the Income Tax Act and accordingly, is exempt from income taxes.

These consolidated financial statements do not include the assets, liabilities or operations of The Ottawa Hospital Residence Corporation or The Ottawa Hospital Academic Family Health Team, two controlled entities, 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, Ottawa Hospitals Food Association, Ottawa Regional Hospital Linen Services Incorporated, and Champlain Health Supply Services. The summarized financial information of The Ottawa Hospital Residence Corporation and The Ottawa Hospital Academic Family Health Team is disclosed in note 17.

(b) Revenue recognition:

The Hospital follows the deferral method of accounting for contributions for not-for-profit organizations.

1. **Significant accounting policies (continued):**

(b) Revenue recognition (continued):

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 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 of Ontario. The final amount of operating revenue recorded cannot be determined until the Ministry of Health of Ontario has reviewed the Hospital's financial and statistical returns for the year. Any adjustments arising from the Ministry of Health 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 recoveries and other operating are recognized when the goods are sold or the services are provided.

Investment income recorded in the statement of operations consists of interest, dividends, and realized gains and losses, net of related fees. Unrealized gains and losses are recorded in the statement of remeasurement gains and losses.

(c) Contributed services:

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

(d) Inventories:

Inventories are valued at the lower of average cost and replacement cost, less a provision for any obsolete or unusable inventory on hand. Replacement cost is the estimated cost to replenish the inventory at current market prices.

1. **Significant accounting policies (continued):**

(e) Financial instruments:

The Hospital's financial instruments consist of cash, restricted cash, short-term investments, accounts receivable, capital grants receivable, assets restricted for capital purchases, derivative asset, accounts payable and accrued liabilities, funds held in trust and long-term debt.

The Hospital's financial instruments are measured as follows:

Cash	fair value
Restricted cash	fair value
Short-term investments	fair value
Accounts receivable	amortized cost
Capital grants receivable	amortized cost
Assets restricted for capital purchases	fair value
Derivative asset	fair value
Funds held in trust	fair value
Accounts payable and accrued liabilities	amortized cost
Long-term debt	amortized cost

Unrealized changes in fair value in the derivative liability are recognized in the statement of remeasurement gains and losses until they are realized. When the financial instrument is derecognized, the unrealized gains and losses previously recognized in the statement as remeasurement gains and losses are reversed and recognized in the statement of operations. Unrealized changes in the fair value of the financial assets in Funds held in trust and assets restricted for capital purchases are recorded in the corresponding liability.

Financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All non-derivative financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain or loss is reversed from the statement of remeasurement gains and losses.

(In thousands of dollars)

1. Significant accounting policies (continued):

(f) Capital assets:

Purchased capital assets, other than minor equipment, are recorded at cost. Contributed capital assets are recorded at their estimated fair value at the date of contribution. Minor equipment replacements are expensed in the year of purchase. Construction in progress comprises construction, development costs and interest capitalized during the construction period. 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.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. When a capital asset no longer contributes to the Hospital's ability to provide services, the carrying amount is written down to its residual value.

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 to 25 years
Leasehold improvements	Term of lease plus expected extension of renewal option
Buildings	10 to 50 years
Building service equipment	5 to 25 years
Health information system	15 years
Major equipment	5 to 20 years
Software and network infrastructure	5 to 10 years

(g) 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.

(h) Employee benefit plans:

The Hospital provides defined retirement and other future benefits for substantially all retirees and employees. These future benefits include life insurance and health care benefits.

The Hospital accrues its obligations for employee benefit plans as the employees render the services necessary to earn the benefits. 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, 2022. The next scheduled valuation will be as at March 31, 2025.

1. Significant accounting policies (continued):

(h) 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 average remaining service period of active employees covered by the employee benefit plan is 12.0 years (2022 - 12.0 years).

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.

(i) Use of estimates:

The preparation of these consolidated 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 consolidated 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. Significant estimates used in preparing these consolidated financial statements include the assumptions underlying the employee future benefit liability calculation, the valuation of the derivative asset, and the accrued liability for the expected impact of salary increases related to the repeal of Bill 124.

In addition, the Hospital's implementation of PS3280 Asset Retirement Obligations has resulted in the requirement for management to make estimates regarding the useful lives of affected tangible capital assets and the expected retirement costs, as well as the timing and duration of these retirement costs.

(j) Asset retirement obligations:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

1. Significant accounting policies (continued):

(j) Asset retirement obligations (continued):

A liability for the removal of asbestos in several of the buildings owned by the Hospital has been recognized based on estimated future expenses on closure of the site and post-closure care. A liability for the removal of fuel storage tanks and a ground water treatment system has also been recognized based on the estimated future expense of removal which is dependent on the size and fuel class of the tank. Under the modified retroactive method, the assumptions used on initial recognition are those as of the date of adoption of the standard. Assumptions used in the subsequent calculations are revised yearly.

The recognition of a liability resulted in an accompanying increase to the respective capital assets. The building capital assets affected by the asbestos liability are being amortized with the building. The building service equipment assets affected by the fuel storage tank and ground water treatment system liability are being amortized with the building service equipment. Both the building and building service equipment are following the amortization accounting policies outlined in note 1(f).

2. Implementation of new accounting standard:

PS 3280 Asset Retirement Obligations*:*

On April 1, 2021, the Hospital adopted Canadian public sector accounting standard PS 3280 Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The standard was adopted on the modified retroactive basis at the date of adoption.

On April 1, 2021, the Hospital recognized an asset retirement obligation relating to several buildings owned by the Hospital that contain asbestos. The buildings were originally purchased between 1924 and 1988 and the liability was measured as of the date of purchase of the buildings, when the liability was assumed. The buildings had an expected useful life between 20 and 50 years, and the estimate has not been changed since purchase.

The Hospital also recognized an asset retirement obligation relating to building service equipment including fuel storage tanks and a ground water treatment system. The building service equipment were originally purchased between 1999 and 2021 and the liability was measured as of the date of purchase of the buildings, when the liability was assumed. The building service equipment had an expected useful life between 15 and 20 years, and the estimate has not been changed since purchase.

(In thousands of dollars)

2. Implementation of new accounting standard (continued):

In accordance with the provisions of this new accounting standard, the Hospital reflected the following adjustments at April 1, 2021 and for the year ended March 31, 2022:

(a) Asbestos obligation:

An increase of $122,820 to the building's capital asset account, representing the original estimate of the obligation as of the date of purchase, and an accompanying increase of $78,784 to accumulated amortization.

(b) Fuel storage tank and ground water treatment obligation:

An increase of $1,571 to the building service equipment capital asset account, representing the original estimate of the obligation as of the date of purchase, and an accompanying increase of $1,215 to accumulated amortization.

(c) Asset retirement obligation liability:

A total liability of $125,303 was recorded for the asset retirement obligation.

(d) Opening net assets:

A decrease to opening accumulative investment in capital assets of $80,911 as a result of the recognition of the liability and accompanying increase in amortization expense for asbestos, fuel storage tank and ground water treatment remediation obligations.

(e) Amortization of buildings:

An increase in the amortization of buildings expense of $1,882.

3. Restricted cash:

Restricted cash consists of balances restricted for the following purposes:

	2023	2022
HIROC claims defense fund	$ 12,761	$ 12,029
Self-insured employee benefits	7,813	12,330
Other	334	182
	$ 20,908	$ 24,541

(In thousands of dollars)

4. Short term investments:

Short term investments comprise of the following:

		2023		2022	2023 Weighted average rate of interest	2022
Equities	$	2,472	$	2,800	–	–
Variable Guaranteed investment certificates		5,156		–	Prime -1.05%	–
Fixed Guaranteed investment certificates		87,034		–	5.77%	–
Total	$	94,662	$	2,800		

Variable Guaranteed Investment Certificates (GICs) are GICs with variable interest rates while Fixed GICs are GICs with fixed interest rates. Variable GICs have maturity in November 2023 while Fixed GICs have maturity from April 2023 to March 2024.

During the year, the Hospital earned interest income of $2,188 (2022 – $Nil) on short-term investments which was recognized as revenue in the statement of operations.

5. Accounts and capital grants receivable:

(a) Accounts receivable:

		2023		2022
Accounts receivable from patients	$	50,328	$	40,463
Ministry of Health of Ontario		85,001		105,464
Ottawa Hospital Research Institute (note 17(d))		1,878		582
Family Health Team (note 17(b))		378		342
Eastern Ontario Regional Laboratory Association Inc. (note 17(e))		1,758		7,381
Other		48,479		35,541
		187,822		189,773
Less allowance for doubtful accounts		(19,731)		(16,891)
	$	168,091	$	172,882

The allowance for doubtful accounts relates to accounts receivable from patients and other receivables and is determined based on prior experience with similar accounts. The current year allowance includes amounts associated with related parties.

(In thousands of dollars)

5. Accounts and capital grants receivable:

(b) Capital grants receivable:

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

	2023	2022
Eastern Ontario Regional Laboratory Association Inc. (note 17(e))	$ 2,374	$ 3,154
The Ottawa Hospital Foundation (note 17(c))	248	3,112
Other	1,531	81
	$ 4,153	$ 6,347

6. Assets restricted for capital purchases:

Assets restricted for capital purchases is comprised of $65,522 (2022 - $62,196) related to funding received and restricted for the purpose of capital purchases and $61,802 (2022 - $73,528) in net parking revenue that has been restricted for capital purchases. The funds are held with the Hospital's account and invested in Guaranteed Investment Certificates (GICs) having a maturity of 365 days or less from the date of acquisition. Variable GICs are GICs with variable interest rates while Fixed GICs are GICs with fixed interest rates. The funds are classified as long-term as the associated cash outflow is not expected to occur within one year. At March 31, 2023, an additional amount of $3,667 (2022 - $5,550) restricted for capital purchases was receivable by the Hospital.

Assets restricted for capital purchases	2023	2022	2023 Weighted average rate of interest	2022 Weighted average rate of interest
Cash	$ 39,744	$ 62,196	Prime-1.60%	Prime-1.60%
Fixed GIC’s	25,778	–	5.45%	–
Total	$ 65,522	$ 62,196		

(In thousands of dollars)

6. Assets restricted for capital purchases (continued):

Restricted net parking revenue	2023	2022	2023 Weighted average rate of interest	2022
Cash	$ 2,511	$ 73,528	Prime-1.60%	Prime-1.60%
Variable GIC's	25,783	–	Prime-1.10%	–
Fixed GIC's	33,508	–	5.19%	–
Total	$ 61,802	$ 73,528		

During the year, the Hospital generated interest of $2,016 (2022 - $Nil) on assets externally restricted for capital purchases. This interest is to be deferred until the cash resources that made up the investment principal that generated the interest are used to purchase capital assets as specified of the restricted assets. At that point in time, the interest will be amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate of the related capital assets.

Moreover, $2,957 (2022 - $Nil) was earned as interest income on internally restricted net parking revenue which was recognized as revenue in the statement of operations.

7. Capital assets:

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
				(Restated - note 2)
Land	$ 42,796	$ –	$ 42,796	$ 34,146
Land improvements	5,336	5,336	–	–
Leasehold improvements	321	310	11	–
Buildings	1,129,672	604,915	524,757	551,523
Building service equipment	219,024	161,558	57,466	58,951
Health information system	145,248	37,845	107,403	117,234
Major equipment	697,532	575,771	121,761	111,504
Software and network infrastructure	1,810	1,418	392	496
Construction-in-progress	89,581	–	89,581	43,791
	$ 2,331,320	$ 1,387,153	$ 944,167	$ 917,645

7. Capital assets (continued):

(a) Cost and accumulated amortization of capital assets at March 31, 2022 amounted to $2,213,110 and $1,295,465, respectively. During the year ended March 31, 2023, the Hospital disposed of equipment with a cost of $751 (2022 - $815) and accumulated amortization of $186 (2022 - $724) for proceeds of $Nil (2022 - $6), resulting in a loss of $565 (2022 - $85).

(b) Land includes a contribution from the Government of Canada in 2019 with an estimated fair value at the time of contribution of $32,600. The mechanism for this contribution of land is a 99-year lease between the Government and the Hospital with annual lease payments of one dollar contingent on the land being used for the construction and operation of the new hospital campus. Land also includes site remediation costs of $8,651 incurred for the New Campus Development project.

(c) As a result of the implementation of new accounting standard PS 3280 Asset Retirement Obligations (note 2), the recognition of asset retirement obligations resulted in an increase in cost of $125,303 and accumulated amortization of $80,911 on April 1, 2021.

8. Asset retirement obligations:

The Hospital's asset retirement obligations consist of several obligations as follows:

(a) Asbestos obligation:

The Hospital owns and operates several buildings that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. Following the adoption of PS 3280 Asset Retirement Obligations, The Hospital recognized an obligation relating to the removal and post-removal care of the asbestos in these buildings as estimated at April 1, 2022. Buildings include both fully amortized, and not-fully amortized assets. The buildings had an estimated useful life of between 20 and 50 years when they were purchased between the years 1924 and 1988. As such, 8 to 9 years remain on the not-fully amortized buildings. The timing of post-closure care cannot yet be reasonably estimated, so no discounting has been applied to the liability.

(b) Fuel storage tanks and ground water treatment system obligation:

The Hospital owns fuel storage tanks and a ground water treatment system which represents an environmental hazard upon removal and decommissioning and there are legal obligations regarding how they must be removed. The building service equipment had an estimated useful life of between 15 and 20 years when they were purchased between the years 1999 and 2021 of which 2 to 20 years remain. The timing of post-closure care cannot yet be reasonably estimated, so no discounting has been applied to the liability.

(In thousands of dollars)

8. Asset retirement obligations (continued):

(b) Fuel storage tanks and ground water treatment system obligation (continued):

The asset retirement obligations at year end are follows:

		2023		2022
Fuel storage tanks and ground water treatment system	$	1,571	$	1,571
Asbestos removal		123,732		123,732
	$	125,303	$	125,303

9. 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.

10. Line of credit:

The Hospital has an operating line of credit of $24,000 (2022 - $24,000) and a capital demand instalment facility of $18,000 (2022 - $18,000) with one of its corporate bankers, of which no amount was drawn against as at March 31, 2023 and 2022. Both lines are unsecured and bear interest at prime less 0.75%.

The Hospital also has an overdraft lending agreement with one of its corporate bankers for $500 for the purpose of financing a Letter of Credit for the City of Ottawa. The operating loan is repayable on demand, bears interest at prime less 0.75% and is secured by a general security agreement. No amount has been drawn on this facility as at March 31, 2023 and 2022.

(In thousands of dollars)

11. Long-term debt:

Long-term debt consists of the following:

	2023	2022
Term loan bearing interest at bankers' acceptance rate plus 0.50%, repayable in principal plus interest payments of $125 monthly, maturing October 31, 2024	$ 9,875	$ 11,375
Term loan facility, unsecured, bearing interest at bankers' acceptance rate plus 0.56%, maturing September 2034 (see note below)	103,355	103,755
Capital lease obligation related to imaging equipment, repayment in monthly installments of $80 for the first 5 years, and $77.50 per month for the remainder of the term, expiring in May 2028	4,312	4,938
Capital lease obligation related to HIS, repayment in monthly instalments of $262 beginning October 2019, expiring August 2024	4,139	7,105
	121,681	127,173
Less current portion of long-term debt	(13,214)	(13,102)
	$ 108,467	$ 114,071

The term loan facility has a maximum borrowing of $160,000.

The future anticipated annual principal payments related to the long-term debt consist of the following:

2024	$ 13,214
2025	18,149
2026	8,743
2027	8,793
2028	8,846
Thereafter	63,936
	$ 121,681

(In thousands of dollars)

11. Long-term debt (continued):

The Hospital entered into a 15-year forward interest rate swap agreement with a $115,000 notional value, effective September 1, 2019. The notional value amortizes on a monthly basis at a preset schedule until maturity, September 1, 2034. The current notional value is $88,167 (2022 - $95,194). The Hospital is obligated to pay a fixed interest of 3.144% while receiving variable rate interest which offsets the variable rate interest paid on its term loan. At March 31, 2023, the interest rate swap contract had a positive fair value of $3,600 (2022 - positive fair value of $923). The current year impact of the change in fair value of the interest rate swap of $2,677 (2022 - $5,794) is recorded in the statement of remeasurement gains and losses.

The Hospital also entered into a 10-year forward interest rate swap agreement with a $15,000 notional value, effective October 31, 2019 and maturing October 31, 2029. The Hospital is obligated to pay fixed interest of 3.07% while receiving variable rate interest which offsets the variable rate interest paid on its term loan. At March 31, 2023, the interest rate swap contract had a positive fair value of $295 (2022 - positive fair value of $58).

12. Employee future benefits:

(a) Health and dental plans:

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, 2023.

At March 31, 2023 the Hospital's liability associated with the benefit plan is as follows:

	2023	2022
Accrued benefit obligation	$ 69,384	$ 65,969
Unamortized experience gains	3,915	4,686
Employee future benefit liability	$ 73,299	$ 70,655

The Hospital's defined benefit plan is not funded, resulting in a plan deficit equal to the accrued benefit obligation.

(In thousands of dollars)

12. Employee future benefits (continued):

(a) Health and dental plans (continued)

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

	2023	2022
Discount rate to determine accrued benefit obligation	3.89%	3.89%
Dental cost increases	3.75%	3.75%
Extended healthcare cost escalations	5.75%	5.75%
Expected average remaining service life of employees	12.0 years	12.0 years

The employee future benefit liability change is comprised of:

		2023		2022
Current service cost	$	3,868	$	3,363
Interest on accrued benefit obligation during the year		2,583		1,978
Amortization of net experience gains		(798)		(646)
Benefit payments made by the Hospital during the year		(3,009)		(3,935)
	$	2,644	$	760

(b) Hospital of Ontario 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 $62,695 (2022 - $62,443) and are included in the consolidated statement of operations.

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, 2022 indicates the plan is fully funded.

.

(In thousands of dollars)

13. 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 consolidated statement of operations

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

		2023		2022
Balance, beginning of year	$	613,386	$	612,081
Add cash contributions received or receivable during the year		52,144		43,041
Less amounts amortized for major equipment		(14,783)		(14,283)
Less amounts amortized for buildings		(27,043)		(27,453)
Balance, end of year	$	623,704	$	613,386

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

		2023		2022
Unamortized capital contributions (note 14)	$	558,182	$	551,190
Unspent capital contributions (note 6)		65,522		62,196
	$	623,704	$	613,386

14. Investment in capital assets:

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

		2023		2022
Capital assets	$	944,167	$	917,645
Amounts financed by:				
Deferred contributions related to capital assets (note 13)		(558,182)		(551,190)
Long-term debt (note 11)		(121,681)		(127,173)
Asset retirement obligation		(125,303)		(125,303)
	$	139,001	$	113,979

(In thousands of dollars)

14. Investment in capital assets (continued):

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

	2023	2022
Purchase of capital assets	$ 118,961	$ 75,240
Amounts funded by deferred contributions	(48,818)	(44,110)
Amounts funded by contributions for land	(8,651)	–
Repayment of long-term debt	5,492	12,244
Loss on disposal of capital assets	(565)	(85)
Proceeds on disposal of capital assets	–	(6)
Amortization of deferred contributions related to capital assets	41,826	41,736
Amortization of capital assets	(91,874)	(86,456)
	$ 16,371	$ (1,437)

15. Net change in non-cash working capital:

	2023	2022
Accounts receivable	$ 4,791	$ 32,319
Inventories	2,020	(4,600)
Prepaid expenses	284	(5,795)
Accounts payable and accrued liabilities	50,854	73,371
Deferred contributions	8,424	25,303
Net change in non-cash working capital	$ 66,373	$ 120,598

16. Financial instruments:

(a) Establishing fair value:

The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category:

Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 – Observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of these assets and liabilities.

16. Financial instruments (continued):

(a) Establishing fair value (continued):

Cash, short-term investments, assets restricted for capital purchases and funds held in trust are Level 1 fair values and derivatives are Level 2 fair values.

(b) Risk management:

The Hospital is exposed to various financial risks through its transactions and holdings in financial instruments.

(i) 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 5. Management believes its allowance for doubtful accounts is sufficient on its receivables from patients and other receivables and has implemented collection recovery procedures to mitigate its credit risk.

(ii) Liquidity risk:

Liquidity risk is the risk the Hospital will not be able to meet its financial obligations when they come due. The Hospital manages its liquidity risk by forecasting cash flows from operations and anticipating investing and financing activities and maintaining credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements.

The Hospital has recorded a liability at March 31, 2023 for the expected impact of salary increases related to the repeal of Bill 124 which capped public sector salary growth to 1% per year for three years. It remains uncertain whether the Ministry of Health will fund this expense, however the Hospital has sufficient financing arrangements in place in the form of an unsecured revolving credit facility and a demand instalment facility to meet this additional one-time obligation in the short-term.

The Hospital's liquidity risk has increased in the year due to the effect of operating losses on its overall liquidity. The Hospital will require sufficient and timely funding from the Ministry of Health to fulfil its obligations on a timely basis and at a reasonable cost.

(iii) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk and other price risk.

16. Financial instruments (continued):

(b) Risk management (continued):

(iv) Interest rate risk:

Interest rate risk is the risk of an increase in interest expense or reduction in interest income as a consequence of adverse movements in interest rates. The interest rate exposure of the Hospital arises from its interest-bearing GIC investments and long-term debt.

Out of the total short-term investments (note 4) and assets restricted for capital purchases (note 4), $30,939 (2022 - $Nil) have variable interest rates and are thus exposed to interest rate risk.

The Hospital is exposed to interest rate risk with respect to its long-term debt as the interest rate is linked to the bankers' acceptance rate. The Hospital entered into a forward fixed interest rate swap contract to mitigate the interest rate risk on the long-term debt (note 11). However, as on March 31, 2023, the Hospital had $14,954 (2022 -$7,688) of long-term debt and $234 (2022 - $234) of current portion of long-term debt unhedged and exposed to interest rate risk.

(v) Currency risk:

The Hospital believes it is not subject to significant foreign currency or other price risks arising from its financial instruments.

The Hospital's financial risks have increased during the year due to rising interest rates, inflation and market fluctuations. Management believes that these financial risks are appropriately mitigated and do not pose significant risk to the Hospital's operations. There have been no significant changes in the policies, procedures, and methods used to manage these risks in the year.

(In thousands of dollars)

17. Related entities:

(a) 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. The Corporation provides 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.

During the year, the Hospital received $750 (2022 - $1,030) from the Corporation. As at March 31, 2023 the Hospital had a $Nil (2022 - $236) balance payable to the Corporation, subject to an interest rate of prime minus 1.6%, due on demand, and with no fixed terms of repayment. The Hospital had an operational receivable of $1,670 (2022 - $366) at year end.

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

	2023	2022
Financial position:		
Total assets	$ 3,864	$ 3,341
Total liabilities	$ 1,602	$ 1,114
Net assets	2,262	2,227
	$ 3,864	$ 3,341
Results of operations:		
Total revenue	$ 1,934	$ 2,493
Total expenses	1,149	1,017
Excess of revenue over expenses	$ 785	$ 1,476
Cash flows:		
Operating activities	$ 1,434	$ 1,020
Investing activities	(437)	(281)
Net cash flows	$ 997	$ 739

(In thousands of dollars)

17. Related entities (continued):

(b) The Ottawa Hospital Academic Family Health Team Inc.:

The Hospital exercises control over The Ottawa Hospital Academic Family Health Team Inc. (the “Corporation”), a tax-exempt entity without share capital incorporated under the Canada Corporations Act. The Corporation operates a primary healthcare center that provides medical, health, and support services for the general public as well as conducts or participates in research relating to family medicine and primary healthcare.

During the year, the Hospital provided supplementary funding of $372 (2022 - $225) to the Corporation. As at March 31, 2023, the Hospital had a receivable from the Corporation, amounting to $378 (2022 - $326).

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

		2023		2022
Financial position:				
Total assets	$	863	$	897
Total liabilities	$	863	$	897
Results of operations:				
Total revenue	$	5,065	$	4,790
Total expenses		5,065		4,790
Excess of revenue over expenses	$	–	$	–
Cash flows:				
Operating activities	$	(33)	$	(31)
Net cash flows	$	(33)	$	(31)

(c) 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.

17. Related entities (continued):

(c) The Ottawa Hospital Foundation (continued):

During the year, the Hospital received $5,592 (2022 - $6,658) from the Foundation. As at March 31, 2023, the Hospital had a capital grant receivable from the Foundation amounting to $248 (2022 - $3,112), an endowment and funds in trust receivable of $772 (2022 - $780), and $751 (2022 - $574) related to other operating expenses paid by the Hospital on behalf of the Foundation. In addition, the Foundation donated gifts-in-kind to the Hospital, which were recorded by the Hospital at no value. The Hospital leased space to the Foundation at a cost of $65 (2022- $26).

(d) 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, 2023, the Hospital had an operational receivable from the Institute amounting to $1,878 (2022 - $582). During the year, the Hospital provided $7,332 (2022 - $10,836) of base funding in support of resources to the Institute. The Hospital also provided $150 (2022 - $150) for specific operating expenditures to the Institute. These amounts are recorded in supplies and other operating expenses on the consolidated statement of operations.

Additionally, the Hospital leased space to the Institute at a cost of $87 (2022 - $Nil) during the year, and has a prepaid rent balance of $6 (2022 - $Nil) at year end.

(e) 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 sixteen member hospitals on a cost of service basis.

At March 31, 2023, the Hospital had an economic interest of $10,998 (2022 - $11,010) of total net assets of $19,002 (2022 - $19,000). The Hospital also had a capital grant receivable from EORLA in the amount of $2,374 (2022 - $3,154) relating to construction of a regional laboratory and investments in capital equipment. The Hospital also has an operational receivable of $1,758 (2022 - $7,381) at year end.

17. Related entities (continued):

(f) Auxiliaries and Association:

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

(g) Ottawa Regional Hospital Linen Services Incorporated:

The Hospital is a founding member of the Ottawa Regional Hospital Linen Services Incorporated ("ORHLS"). ORHLS was established to provide laundry services to member hospitals on a cost of service basis.

At March 31, 2023, the Hospital had an economic interest of $11,295 (2022 - $9,963) of total net assets of $20,600 (2022 - $18,010).

For the year ended March 31, 2023, the Hospital provided $7,524 (2022 - $7,257) to ORHLS for linen services. These amounts have been included in supplies and other operating expenses on the consolidated statement of operations.

(h) Ottawa Hospitals Food Association (formerly Healthcare Food Services Inc.):

The Hospital was a founding member of Healthcare Food Services Inc. ("HFS"). HFS was established to provide food services to member hospitals on a cost of service basis.

On May 13, 2019, the Board of Directors of HFS finalized the sale of substantially all of the assets of HFS to a third party purchaser. As unanimously agreed upon by the Member Hospitals and the Board of Directors of HFS, the net proceeds of the HFS sale will be distributed to each of the member Hospital's respective Foundations. Effective the date of sale, HFS changed its operating name to Ottawa Hospitals Food Association ("OHFA").

On November 8, 2019, The Board Directors of OHFA approved a motion to distribute $10,000 to the member hospital Foundation's based on their share. Subsequent distributions were approved, bringing the approved total to distribute to all member hospital foundations to $15,200. The Ottawa Hospital Foundation's share of the distribution is 54.94%. To date, the Foundation has received and donated via grants to the Hospital a total of $8,352.

In February 2023, an additional distribution of $367 was announced, of which the Foundation is to receive a donation of $202 (2022 - $1,484). The Foundation distributed this donation as a grant to the Hospital in March 2023.

At March 31, 2023, the Hospital had an economic interest of $Nil in OHFA (2022 - $209) of total net assets of $Nil (2022 - $380).

17. Related entities (continued):

(i) 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, 2023, the Hospital had a payable of $35 (2022 - $33) to CHSS relating to expenses paid by CHSS on behalf of the Hospital. These amounts are recorded in supplies and other operating expenses on the consolidated statement of operations.

(j) University of Ottawa Heart Institute related parties:

By virtue of its interest in the University of Ottawa Heart Institute, The Ottawa Hospital is related to the following entities as described below.

(i) Ottawa Heart Institute Research Corporation:

The Ottawa Heart Institute Research Corporation ("OHIRC") is incorporated without share capital under the Canada Not-for-Profit Corporations Act.

The purpose of the OHIRC is to conduct, acquire, solicit or receive research money to operate and maintain laboratories and a research facility. The OHIRC is a registered charity and, as such, is exempt from income taxes under subsection 149(1)(l) of the Income Tax Act (Canada). In addition, the OHIRC is classified as a non-profit corporation for scientific research and experimental development as defined in subsection 149(1)(l) of the Income Tax Act (Canada).

The University of Ottawa Heart Institute has an economic interest in the OHIRC. Included in accounts receivable is $103 (2022 - $166) relating to construction projects and other costs incurred on behalf of the OHIRC. Included in accounts payable is $27,927 (2022 - $8,912) relating to payroll and other support costs incurred by the OHIRC. These amounts are non-interest bearing and have no specified terms of repayment.

During the period, the University of Ottawa Heart Institute provided $30,785 (2022 - $9,715) of base funding in support of research to the OHIRC. These amounts are recorded salaries and supplies and other expenses on the statement of operations.

The Corporation provides payroll management services to the Institute for a limited group of employees at no cost. All salaries and benefits' costs are reimbursed on a monthly basis by the Institute. During the year, a total of $9,769 (2022: $7,226) in salaries and benefits were reimbursed to the Corporation by the Institute.

These transactions are considered to be in the normal course of operations and are measured at the exchange amount.

17. Related entities (continued):

(i) University of Ottawa Heart Institute related parties (continued):

(ii) University of Ottawa Heart Institute Foundation:

The University of Ottawa Heart Institute Foundation (“UOHIF”) is incorporated without share capital under the Canada Not-for-Profit Corporations Act. UOHIF coordinates and promotes fundraising and endowment activities to support and fund research, patient care, education and other activities concerning cardiovascular health at the University of Ottawa Heart Institute and the OHIRC. UOHIF is a registered charity and, as such, is exempt from income taxes under subsection 149(1)(l) of the Income Tax Act (Canada).

The University of Ottawa Heart Institute has an economic interest in the UOHIF as the UOHIF holds resources that are used to benefit the University of Ottawa Heart Institute. Included in accounts receivable is $148 (2022 - $132) owing from UOHIF. Included in accounts payable is $Nil (2022 - $5,378) owing to UOHIF.

During the period, the University of Ottawa Heart Institute recorded $1,139 (2022 - $1,175) of funding received or receivable from UOHIF to support clinical programs, equipment purchases, and capital programs. During the period, the University of Ottawa Heart Institute provided $Nil (2022 - $5,028) of funds to UOHIF.

The Hospital has guaranteed, in the form of a second ranking security in all of its personal property, a credit facility the University of Ottawa Heart Institute Foundation has entered into with the Royal Bank of Canada composed of a fixed rate facility ($10,000). The fixed rate facility balance is $5,301 (2022 - $Nil), maturing January 31, 2028, bearing an interest rate of 2.44%, which is fixed through a forward SWAP contract.

(iii) Alumni and Auxiliary:

The University of Ottawa Heart Institute is also related to the Ottawa Heart Institute Alumni Association (the “Alumni”) and the Heart Institute Auxiliary (the “Auxiliary”). The object of the Auxiliary and the Alumni is to raise and receive funds to be distributed towards various programs and capital projects of the University of Ottawa Heart Institute, OHIRC and the UOHIF. The Auxiliary and Alumni are tax-exempt entities created under the laws of Ontario.

These related party transactions are considered to be in the normal course of operations and are measured at the exchange amount.

18. Commitments, contingencies and guarantees:

(a) The nature of the Hospital's activities is such that there is usually litigation pending or in process at any time. With respect to claims at March 31, 2023, management believes the Hospital has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

(b) A group of hospitals, including the Hospital, have formed the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is 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 were required during the year ended March 31, 2023.

(c) To the extent permitted by law the Hospital indemnifies present and former directors and officers against certain claims that may be made against them as a result of their service as directors or officers. The Hospital purchases directors' and officers' liability insurance that may be available in certain instances. The nature and likelihood of these arrangements preclude the Hospital from making a reasonable estimate of the maximum potential amount the Hospital could be required to pay to counterparties. The Hospital believes the likelihood that it will incur significant liability under these arrangements is remote and accordingly, no amount has been recorded in the consolidated financial statements for these guarantees.

(d) At March 31, 2023, 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.

(e) At March 31, 2023, the Hospital has construction-in-progress recorded in capital assets of $89,581 (2022 - $43,780) and $11,791 (2022 - $4,125) related to the New Campus Development parking garage. The cost to complete the construction-in-progress is estimated at $72,621 (2022 - $59,830) and $248,209 (2022 - $Nil) related to the New Campus Development parking garage.

(f) The Hospital is a member of the Ottawa Health Sciences Centre Inc. ("OHSC"). The OHSC was established to provide oversight and direction for the maintenance of the lands where The Ottawa Hospital, Children's Hospital of Eastern Ontario, University of Ottawa and The Ottawa Children's Treatment Centre are located.

(In thousands of dollars)

18. Commitments, contingencies and guarantees (continued):

(f) (continued):

As a member of the OHSC, the Hospital is party to a Thermal Energy Agreement ("TEA") with Trans/Alta Corporation for the purchase of thermal energy for heating and humidifying the Hospital. In 2022, the TEA was amended and resulted in an extension of its term from January 1, 2024 to December 31, 2033.

(g) The Hospital, in conjunction with the Ministry of Health, has undertaken a major capital redevelopment project to build a new campus for the Ottawa Hospital. The new campus will enable the Hospital to offer a state-of-the-art medical, academic and research facility to meet the growing healthcare needs of the people of Ottawa and the surrounding communities. The Hospital is currently in the process of the Request for Proposal (RFP) process with Infrastructure Ontario to find a Development Company to design the new campus.

(h) During the normal course of operations, the Hospital is involved in certain employment related negotiations and other matters and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable and deemed likely to occur.

(i) On November 29, 2022, the Ontario Superior Court rendered a decision to declare the *Protecting a Sustainable Public Sector for Future Generations Act, 2019*, known as Bill 124, to be void and of no effect. On December 29, 2022, The Province of Ontario appealed the Superior Court's decision, but the Government has not sought a stay of decision. This ruling has triggered reopener provisions that required renewed negotiations with certain labour groups on compensation for the years that were previously capped by the legislation. The Hospital has recorded liabilities based on subsequent settlement amounts and management's estimate of potential settlement amounts.

(j) The Hospital has operating lease agreements with future minimum annual payments as follows:

2024	$ 10,576
2025	4,080
2026	2,428
2027	938
2028	60
Thereafter	–
	$ 18,082

(In thousands of dollars)

19. Ministry of Health pandemic funding:

In connection with the ongoing coronavirus pandemic ("COVID-19"), the MOH has announced a number of funding programs intended to assist hospitals with incremental operating and capital costs and revenue decreases resulting from COVID-19. In addition to these funding programs, the MOH is also permitting hospitals to redirect unearned funding from certain programs towards COVID-19 costs, revenue losses and other budgetary pressures through the unearned funds process.

While the MOH has provided guidance with respect to the maximum amount of funding potentially available to the Hospital, as well as criteria for eligibility and revenue recognition, this guidance continues to evolve and is subject to revision and clarification subsequent to the time of approval of these financial statements. The MOH has also indicated that all funding related to COVID-19 is subject to review and reconciliation, with the potential for adjustments during the subsequent fiscal year.

Management's estimate of MOH revenue for COVID-19 is based on the most recent guidance provided by MOH and the impacts of COVID-19 on the Hospital's operations, revenues and expenses. Management has analyzed the requirements and has provided an estimate for the supportable amounts based on the current available information. Due to the uncertainty of the amount of funding that will be confirmed in future years, management has recorded a provision on the receivable as noted in the chart below. Any adjustments to Management's estimate of MOH revenues will be reflected in the Hospital's financial statements in the year of settlement.

Details of the MOH funding for COVID-19 recognized as revenue in the current year are summarized below:

	2023	2022
Funding for incremental COVID-19 operating expenses	$ 20,729	$ 52,266
Unearned funds process for other eligible costs	10,420	–
	$ 31,149	$ 52,266

In addition to the above the Hospital has recognized $1,694 (2022 - $8,491) in MOH funding for COVID-19 related capital expenditures, which has been recorded as an addition to deferred capital contributions during the year.

The Hospital has also recognized $78,843 (2022 - $70,503) in MOH funding for other COVID-19 related expenditures such as, employee and physician pandemic pay, assessment centers and long-term care homes.

20. Comparative information:

Certain 2022 comparative information has been reclassified to conform with the non-consolidated financial statement presentation adopted for 2023.