

Financial Statements of

**THE OTTAWA HEALTH RESEARCH  
INSTITUTE**

Year ended March 31, 2008



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## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the statement of financial position of The Ottawa Health Research Institute as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Corporations Act of Ontario, we report that, in our opinion, except for the change in the method of accounting for financial instruments as explained in note 2 to the financial statements, these principles have been applied on a basis consistent with that of the preceding year.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Accountants, Licensed Public Accountants

Ottawa, Canada

June 27, 2008

# THE OTTAWA HEALTH RESEARCH INSTITUTE

## Statement of Financial Position

March 31, 2008, with comparative figures for 2007

	Externally restricted	Unrestricted	Total 2008	Total 2007
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ –	\$ 1,865,743	\$ 1,865,743	\$ 1,204,404
Due from The Ottawa Hospital Foundation (note 5(b))	412,733	1,866,345	2,279,078	1,871,694
Prepaid expenses	152,152	–	152,152	–
Amounts receivable	12,993,709	1,713,207	14,706,916	12,654,050
	13,558,594	5,445,295	19,003,889	15,730,148
Investments (note 6)	31,465,984	6,240,618	37,706,602	36,305,912
Deferred costs (note 7)	–	661,544	661,544	151,612
Capital assets (note 8)	37,979,833	–	37,979,833	37,673,758
	\$ 83,004,411	\$ 12,347,457	\$ 95,351,868	\$ 89,861,430
<b>Liabilities and Net Assets</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 3,758,247	\$ 1,110,801	\$ 4,869,048	\$ 3,921,693
Loans payable (note 5(e))	700,000	–	700,000	1,400,000
Due to The Ottawa Hospital (note 5(a))	–	6,563,957	6,563,957	183,372
Unearned income	–	1,420,510	1,420,510	700,000
Unexpended research project funding (note 9)	41,266,331	–	41,266,331	43,855,247
	45,724,578	9,095,268	54,819,846	50,060,312
Long-term liabilities:				
Deferred capital contributions (note 10)	34,885,062	–	34,885,062	33,790,643
Sick leave (note 14)	–	192,619	192,619	172,834
	34,885,062	192,619	35,077,681	33,963,477
Net assets:				
Unrestricted	–	1,466,518	1,466,518	1,639,857
Internally restricted (note 11)	–	1,593,052	1,593,052	1,714,669
Invested in capital assets	2,394,771	–	2,394,771	2,483,115
	2,394,771	3,059,570	5,454,341	5,837,641
Future accounting standards (note 3)				
Commitments and contingencies (note 12)				
	\$ 83,004,411	\$ 12,347,457	\$ 95,351,868	\$ 89,861,430

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# THE OTTAWA HEALTH RESEARCH INSTITUTE

## Statement of Operations

Year ended March 31, 2008, with comparative figures for 2007

	Externally restricted	Unrestricted	Total 2008	Total 2007
<b>Revenue:</b>				
The Ottawa Hospital Foundation (note 5(b)):				
Research and salary funding	\$ –	\$ 1,637,028	\$ 1,637,028	\$ 1,484,761
Endowment fund interest	–	1,805,631	1,805,631	1,808,390
Indirect cost funding	–	5,279,495	5,279,495	5,230,457
The Ottawa Hospital (note 5(a))	–	4,320,100	4,320,100	4,197,645
University of Ottawa (note 5(c)):				
Salary support	–	1,822,569	1,822,569	2,095,641
Endowment fund interest	–	154,023	154,023	195,517
Medical Practice Plans	–	3,278,867	3,278,867	3,189,188
Research project funding	66,848,796	–	66,848,796	53,416,704
Miscellaneous funding	–	753,878	753,878	714,220
Investment	–	1,454,346	1,454,346	2,911,650
Amortization of deferred capital contributions	4,868,147	–	4,868,147	4,536,475
	<u>71,716,943</u>	<u>20,505,937</u>	<u>92,222,880</u>	<u>79,780,648</u>
<b>Expenses:</b>				
Scientific programs	–	12,638,093	12,638,093	13,408,623
General research administration	–	2,989,765	2,989,765	3,146,909
Technology transfer program	–	336,237	336,237	459,786
Hospital services	–	4,015,643	4,015,643	3,270,759
Other research	–	836,658	836,658	775,211
Research Ethics Board	–	203,716	203,716	96,916
Research project costs (note 9)	66,848,796	–	66,848,796	53,416,704
Amortization of capital assets	4,912,454	–	4,912,454	4,580,782
	<u>71,761,250</u>	<u>21,020,112</u>	<u>92,781,362</u>	<u>79,155,690</u>
Excess (deficiency) of revenue over expenses	\$ (44,307)	\$ (514,175)	\$ (558,482)	\$ 624,958

See accompanying notes to financial statements.

# THE OTTAWA HEALTH RESEARCH INSTITUTE

## Statement of Changes in Net Assets

Year ended March 31, 2008, with comparative figures for 2007

	Unrestricted	Internally Restricted (note 11)	Externally Restricted	Investment in capital assets	2008	2007
Net assets, beginning of year, as previously reported	\$ 1,639,857	\$ 1,714,669	\$ –	\$ 2,483,115	\$ 5,837,641	\$ 5,212,683
Adjustment of investments to fair value at April 1, 2007 (note 2)	175,182	–	–	–	175,182	–
Net assets, beginning of year, as restated	1,815,039	1,714,669	–	2,483,115	6,012,823	5,212,683
Excess (deficiency) of revenue over expenses	(514,175)	–	(44,307)	–	(558,482)	624,958
Transfer to unrestricted (note 11)	165,654	(165,654)	–	–	–	–
Amortization of capital assets	–	–	4,912,454	(4,912,454)	–	–
Capital asset additions	–	–	(5,218,529)	5,218,529	–	–
Deferred capital contributions received	–	–	5,962,566	(5,962,566)	–	–
Amortization of deferred capital contributions	–	–	(4,868,147)	4,868,147	–	–
Loan repayment	–	–	(700,000)	700,000	–	–
Transfer to internally restricted	–	44,037	(44,037)	–	–	–
Net assets, end of year	\$ 1,466,518	\$ 1,593,052	\$ –	\$ 2,394,771	\$ 5,454,341	\$ 5,837,641

See accompanying notes to financial statements.

# THE OTTAWA HEALTH RESEARCH INSTITUTE

## Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (558,482)	\$ 624,958
Items not involving cash:		
Amortization of capital assets	4,912,454	4,580,782
Amortization of deferred capital contributions	(4,868,147)	(4,536,475)
Changes in non-cash operating working capital:		
Decrease (increase) in due from The Ottawa Hospital Foundation	(407,384)	2,283,295
Increase in prepaid expenses	(152,152)	–
Increase in amounts receivable	(2,052,866)	(3,400,865)
Increase in accounts payable and accrued liabilities	947,355	914,930
Increase (decrease) in loans payable	(700,000)	1,050,000
Increase (decrease) in due to The Ottawa Hospital	6,380,585	(3,300,159)
Increase in unearned income	720,510	700,000
Decrease in unexpended research funding	(2,588,916)	(1,549,062)
	1,632,957	(2,632,596)
Financing and investment activities:		
Decrease (increase) in investments	(1,225,508)	5,139,746
Increase in deferred costs	(509,932)	(151,612)
Purchase of capital assets	(5,218,529)	(14,063,786)
Deferred capital contributions received	5,962,566	10,136,365
Increase (decrease) in sick leave	19,785	(24,606)
	(971,618)	1,036,107
Net increase (decrease) in cash and cash equivalents	661,339	(1,596,489)
Cash and cash equivalents, beginning of year	1,204,404	2,800,893
Cash and cash equivalents, end of year	\$ 1,865,743	\$ 1,204,404

The Ottawa Health Research Institute considers cash and cash equivalents to be highly liquid investments with either original maturities of three months or less or the ability to immediately convert to cash without penalty.

See accompanying notes to financial statements.

# THE OTTAWA HEALTH RESEARCH INSTITUTE

Notes to Financial Statements

Year ended March 31, 2008

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## 1. Objectives:

The Ottawa Health Research Institute (the "Institute") is an independent health research facility, closely affiliated with the Ottawa Hospital and the University of Ottawa, committed to excellence in the creation of scientific knowledge that contributes to the prevention, diagnosis, and treatment of human disease. The Institute was incorporated without share capital under the Corporations Act of Ontario on December 5, 2000. It began operations on April 1, 2001 as a result of the combination of the Loeb Health Research Institute at The Ottawa Hospital and The Ottawa General Hospital Research Institute. On January 1, 2004, as a result of the integration of the Ottawa Regional Cancer Centre and The Ottawa Hospital, the clinical research activities of the Cancer Centre were absorbed into the Institute.

The Institute is a registered charity under paragraph 149 [1] [f] of the Income Tax Act and while registered, is exempt from income taxes and may issue tax deductible receipts to donors. Furthermore, the Institute has approved research institute status for purposes of clause 37 [1] [a] [ii] [B] of the Act, whereby a donor is eligible for a Scientific Research and Experimental Development (SR&ED) tax credit in the year the contribution is made.

## 2. Adoption of new accounting standards:

### (a) Financial instruments:

Effective April 1, 2007, the Institute adopted the new standards for Financial Instruments in accordance with various sections of the CICA Handbook including Section 3855 "*Financial Instruments – Recognition and Measurement*". In accordance with the transitional provisions of this Section, the Institute has prospectively adopted the recommendations, and therefore the 2007 comparative figures have not been restated. The impact of the implementation of these standards on these financial statements is described below.

### (i) Investments:

The Institute has designated its investments as held for trading, and as such, investments are recorded at fair value on the statement of financial position. In prior years, investments were recorded at cost plus accrued interest. As a result, there has been an increase of \$175,182 to the opening balance of unrestricted net assets.

### (ii) Other financial assets and liabilities:

The Institute has classified due from the Ottawa Hospital Foundation and amounts receivable as loans and receivables and accounts payable and accrued liabilities, loans payable, due to The Ottawa Hospital and sick leave as other liabilities. Upon implementation, these classifications do not impact these financial statements.

# THE OTTAWA HEALTH RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2008

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## 2. Adoption of new accounting standards (continued):

### (a) Financial instruments (continued):

#### (iii) Embedded derivatives:

The Institute adopted a transition date for embedded derivatives of April 1, 2004 and, accordingly, only recognized those embedded derivatives requiring separation from host contracts issued, acquired or substantially modified subsequent to this transition date.

There were no derivatives or embedded derivatives recognized in the Institute's financial statements as a result of the adoption of these new standards.

### (b) Accounting changes:

Effective April 1, 2008, the Institute adopted the revised CICA Handbook Section 1506 "Accounting Changes" relating to changes in accounting policies, changes in accounting estimates and errors. Adoption of these recommendations had no effect on the financial statements for the year ended March 31, 2008, except for the disclosure of accounting changes that have been issued by the CICA but have not yet been adopted by the Institute because they are not effective until a future date (refer to Future Accounting Standards in note 3).

## 3. Future accounting standards:

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535 "Capital Disclosures"; Handbook Section 3862 "Financial Instruments – Disclosures"; Handbook Section 3863 "Financial Instruments – Presentation". These standards are effective for the Institute's reporting period beginning on April 1, 2008. Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what an entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it had not complied, the consequences of such non-compliance. The new Handbook Sections 3862 and 3863 replace Handbook Section 3861 "Financial Instruments – Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Institute is currently assessing the impact of these new accounting standards on its financial statements.



# THE OTTAWA HEALTH RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2008

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## 4. Significant accounting policies:

### (a) Basis of presentation:

The financial statements are prepared under the deferral method of accounting for not-for-profit organizations. On the statement of financial position and the statement of operations, the externally restricted column presents the Institute's assets, liabilities and results of operations related to its research activities that are funded by externally restricted research grants and contributions. The unrestricted column presents the Institute's administrative and non-restricted research operations.

### (b) Revenue recognition:

- (i) Research project funding is recognized as revenue in the period in which the related expenses are incurred.
- (ii) Grants and contributions related to capital assets are deferred and amortized over the estimated useful life of the purchased assets.
- (iii) Unrestricted funding is recognized as revenue in the period when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

### (c) Investments:

Investments are designated as held for trading and are recorded at fair value.

In the preceding year, investments were recorded at cost plus accrued interest.

Shares in private companies acquired by the Institute in exchange for patent or license rights are recorded at a nominal value when the fair value of the transaction is not determinable.

The Institute's investment in StemPath Inc. is recorded using the equity method. Under the equity method, the investment is recorded at the original cost of the shares plus the Institute's share of undistributed earnings.

# THE OTTAWA HEALTH RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2008

## 4. Significant accounting policies (continued):

### (d) Capital assets:

Capital assets are stated at cost. Contributed equipment is recorded at fair value at the date of contribution. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the assets are:

Asset	Useful Life
Computer equipment	3 to 5 years
Furniture and fixtures	5 years
Portable	10 years
Laboratory equipment	5 to 10 years
Stem Cell and Vision Research floors	21 years

Minor equipment acquisitions are expensed in the year of purchase. Acquisitions of research related equipment made at the discretion of researchers are expensed in the year of purchase.

Assets under construction are stated at cost, and are not amortized until the assets are put into use.

Patents are recorded at a nominal value and are not amortized.

### (e) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the period in which they become known.

## 5. Related entities:

### (a) The Ottawa Hospital:

The Ottawa Hospital deposits all of the Institute's research grants and contributions and distributes these funds to cover research expenses on behalf of the Institute. The Ottawa Hospital also acts as paymaster for the Institute. The Institute has an amount due to The Ottawa Hospital of \$6,563,957 (2007 - \$183,372). This balance represents the difference between funds deposited at the Hospital and disbursements made on behalf of the Institute at year end.

# THE OTTAWA HEALTH RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2008

## 5. Related entities (continued):

### (a) The Ottawa Hospital (continued):

The Ottawa Hospital provided the Institute with grants as follows:

	2008	2007
General operating	\$ 4,020,100	\$ 3,897,645
Specific purpose operating	300,000	300,000
	<u>\$ 4,320,100</u>	<u>\$ 4,197,645</u>

### (b) The Ottawa Hospital Foundation:

The Foundation provides administrative and research funding to the Institute. During the year, the Foundation contributed the following:

	2008	2007
Unrestricted research and salary funding	\$ 1,637,028	\$ 1,484,761
Unrestricted endowment fund interest	1,805,631	1,808,390
Restricted research project funding	1,907,933	952,365
Deferred contributions relating to capital assets and assets under construction	2,356,119	4,718,679
	<u>\$ 7,706,711</u>	<u>\$ 8,964,195</u>

At year end, \$2,279,078 (2007 - \$1,871,694) of these amounts were receivable from the Foundation.

Under the Foundation's income disbursement policy for endowments the Institute receives 5% of the average carrying value of the Institute's endowments every year. Accordingly, the Institute has recorded \$1,805,631 (2007 - \$1,808,390) of unrestricted revenue and \$144,182 (2007 - \$64,615) of restricted project funding revenue in the year.

At March 31, 2008, the Foundation manages funds in the amount of \$39,460,575 (2007 - \$37,357,506), which are designated as the Ottawa Health Research Institute Endowment Funds. Of this amount, \$1,018,206 (2007 - \$1,018,206) is restricted for the Clinical Epidemiology Unit Director's Research Chair.

# THE OTTAWA HEALTH RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2008

## 5. Related entities (continued):

### (c) The University of Ottawa:

The University of Ottawa contributed \$1,822,569 (2007 - \$2,095,641) during the year to the Institute for salary support.

At March 31, 2008, endowment funds in the amount of \$1,161,658 (2007 - \$1,269,219) for the Clinical Epidemiology Unit Director's Research Chair, \$1,514,438 (2007 - \$1,689,041) for the Dr. J. David Grimes Research Chair and \$1,879,651 (2007 - \$2,102,972) for the Neuroscience Research Institute chair are held by the University of Ottawa. In the year, the Institute received \$154,023 (2007 - \$195,517) interest on these endowments.

The University provides premises and related maintenance and repairs to the Institute's on-site researchers at no charge. These amounts are not included in these financial statements.

### (d) StemPath Inc.:

The Institute is related to StemPath Inc. ("StemPath") by virtue of its ownership of 49.9% of the common shares of StemPath. The Institute has the ability to significantly influence, but not control, StemPath's operations under a convertible debenture agreement with external investors.

The Institute's acquisition of the investment in StemPath was recorded at a nominal value of \$1 as the fair value of the consideration for the shares was not determinable at the time of acquisition.

During the year, StemPath ceased operations and entered into bankruptcy under the Bankruptcy and Insolvency Act. The Institute has therefore written off its investment in StemPath.

### (e) Loans payable:

The Ottawa Hospital and the University of Ottawa have provided loans to the Institute for the purpose of funding the construction of the Vision floor. The loan from the University of Ottawa is non-interest bearing and is repayable starting in 2009, as agreed, if fundraising and/or grant submissions are not successful. The loan from The Ottawa Hospital was repaid during the year. The balances of the loans are as follows:

	2008	2007
University of Ottawa	\$ 700,000	\$ 700,000
The Ottawa Hospital	–	700,000
	<u>\$ 700,000</u>	<u>\$ 1,400,000</u>

# THE OTTAWA HEALTH RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2008

## 6. Investments:

The following table presents the carrying values and fair values of the Institute's investments:

	2008		2007
	Market value	Market value	Carrying value
Money market funds	\$ 6,953,775	\$ 6,964,761	\$ 6,964,761
Bonds	24,298,957	23,718,480	23,617,050
Common stocks	6,453,869	5,797,851	5,724,099
Shares in private companies	1	1	1
StemPath Inc. (note 5(d))	–	1	1
	<b>\$ 37,706,602</b>	<b>\$ 36,481,094</b>	<b>\$ 36,305,912</b>

The Institute holds shares in private companies that were received in exchange for an amendment to a patent/licence agreement previously negotiated and in other cases, patent or license agreements to be negotiated. These shares do not give the Institute the ability to significantly influence or exercise control over these private companies. The shares are recorded in these financial statements at a nominal value as the value of the consideration given or received could not be determined. The market value of these shares in private companies is not determinable.

## 7. Deferred costs:

Deferred costs represent preliminary architectural design costs relating to the Clinical Research and Cancer Centres. These costs will be capitalized when construction begins, or expensed when the projects are terminated.

## 8. Capital assets:

	Cost	Accumulated amortization	2008	2007
			Net book value	Net book value
Computer equipment	\$ 5,448,727	\$ 4,842,297	\$ 606,430	\$ 890,012
Furniture and fixtures	1,761,759	1,592,967	168,792	127,850
Portable	409,970	245,982	163,988	245,982
Laboratory equipment	31,668,283	16,785,584	14,882,699	14,267,761
Stem Cell and Vision				
Research floors	24,428,282	2,270,359	22,157,923	22,142,152
Patents	1	–	1	1
	<b>\$ 63,717,022</b>	<b>\$ 25,737,189</b>	<b>\$ 37,979,833</b>	<b>\$ 37,673,758</b>

# THE OTTAWA HEALTH RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2008

## 8. Capital assets (continued):

Cost and accumulated amortization at March 31, 2007 amounted to \$58,498,493 and \$20,824,735 respectively.

## 9. Unexpended research project funding:

Unexpended research project funding represents amounts received by the Institute which will be used in subsequent periods on active research projects. Changes in the unexpended research project funding balance are as follows:

	2008	2007
Balance, beginning of year	\$ 43,855,247	\$ 45,404,309
Amounts received in the current period	70,222,446	62,004,007
	114,077,693	107,408,316
Less:		
Research project costs	(66,848,796)	(53,416,704)
Amount transferred to deferred capital contributions	(5,962,566)	(10,136,365)
	(72,811,362)	(63,553,069)
Balance, end of year	\$ 41,266,331	\$ 43,855,247

## 10. Deferred capital contributions:

	2008	2007
Balance, beginning of year	\$ 33,790,643	\$ 28,190,753
Additions	5,962,566	10,136,365
Amortization	(4,868,147)	(4,536,475)
Balance, end of year	\$ 34,885,062	\$ 33,790,643

## 11. Internally restricted:

Internally restricted net assets are comprised of the following;

	2008	2007
Equalization fund	\$ 1,145,996	\$ 1,311,650
General Capital Reserve Fund	447,056	403,019
Balance, end of year	\$ 1,593,052	\$ 1,714,669

# THE OTTAWA HEALTH RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2008

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## 11. Internally restricted (continued):

### (a) Equalization fund:

The equalization fund was established by the Board of Directors to provide the Institute with a stable investment income budget for short and long term budget planning. For the current year the Board set the budgeted return on its investments at 4.5%. Investment income in excess (deficiency) of this amount is transferred to (from) the fund. During the year, \$165,654 was transferred from the fund to unrestricted net assets. In 2007, \$1,311,650 was transferred to the fund from unrestricted net assets.

### (b) General Capital Reserve Fund:

The General Capital Reserve Fund was established to provide permanent or temporary funding for the acquisition or construction of capital assets. During the year, \$44,037 was transferred from externally restricted. In 2007, \$2,527,421 was used to fund the completion of the Vision Floor and Stem Floors.

## 12. Commitments and contingencies:

### (a) Assets under construction:

Assets under construction included in deferred costs represent architectural design and construction costs incurred for the Clinical Research Center (a joint venture with The Ottawa Hospital) and the Cancer Center Project, which is currently on hold pending further discussions. The estimated additional cost for completion if the projects proceed is approximately \$10 million and \$12 million respectively.

### (b) Air space lease:

During 2006, the Institute entered into a lease agreement with The Ottawa Hospital for a nominal amount for air space for the Stem Cell and Vision Research floors. The lease expires in 2027.

### (c) Contingencies:

The Institute is involved with pending litigation and claims which arise in the normal course of operations. In the opinion of management, any liability that may arise from such contingencies would not have a significant adverse effect on the financial statements of the Institute. Losses, if any, arising from these matters will be accounted for in the year in which they are resolved.

# THE OTTAWA HEALTH RESEARCH INSTITUTE

Notes to Financial Statements (continued)

Year ended March 31, 2008

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## **13. Pension plan:**

Substantially all of the employees of the Institute are members of the Hospitals of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, that provide the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 1.3% of salary contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent triennial actuarial valuation of the Plan as at December 31, 2006 indicates the plan is fully funded. Contributions to the plan made during the year by the Institute on behalf of its employees amounted to \$1,766,860 (2007 - \$1,354,322) and are included in the statement of operations.

## **14. Sick leave:**

Accrued sick leave relates to the accumulated balance for compensated absences for employees of the former Ottawa Civic Hospital before amalgamation. Under the amalgamation agreement, this balance has been frozen and will be paid out to employees upon their departure from the Institute.

## **15. Fair value of financial instruments:**

The carrying value of cash and cash equivalents, amounts receivable, due from The Ottawa Hospital Foundation, accounts payable and accrued liabilities and due to The Ottawa Hospital, approximates their fair value because of the relatively short period to maturity of the instruments.

The fair value of the loans payable is not determinable.

## **16. Comparative figures:**

Certain comparative figures have been reclassified to conform with the financial statement presentation of the current year.