Financial Statements of

QUEENSWAY CARLETON HOSPITAL

March 31, 2013

Deloitte.

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Independent Auditor's Report

To the Board of Directors of
Queensway Carleton Hospital

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations, 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.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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Independent Auditor's Report (Continued)

Auditor's Responsibility (Continued)

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

Auditor's Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

Comparative Information

Without modifying our opinion, we draw attention to Note 3 to the financial statements and the fact that the Hospital adopted Canadian public sector accounting standards for government not-for-profit organizations on April 1, 2012, with its transition date being April 1, 2011. These standards have been applied retrospectively by management to comparative figures included in these financial statements, including the statements of financial position as at March 31, 2012 and April 1, 2011 and, the statements of operations, changes in net assets and cash flow for the year ended March 31, 2012, including the accompanying notes. We were not engaged to report on the comparative figures and as such, they have not been audited.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

May 29, 2013

QUEENSWAY CARLETON HOSPITAL
Financial Statements
March 31, 2013

QUEENSWAY CARLETON HOSPITAL
Statement of Financial Position
as at March 31, 2013
(tabular amounts in thousands of dollars)

	March 31, 2013	March 31, 2012 (Unaudited, Note 3)	April 1, 2011 (Unaudited, Note 3)
CURRENT ASSETS			
Cash	**$ 17,085**	$ 10,199	$ 11,895
Receivable from Governments (Note 5)	**4,157**	11,517	8,834
Accounts receivable	**11,529**	9,067	6,670
Due from Queensway Carleton Hospital Foundation	**3,947**	3,668	667
Inventories	**803**	978	1,183
Prepaid expenses	**991**	1,079	852
	38,512	36,508	30,101
CASH HELD FOR CAPITAL PURPOSES	**23,139**	2,864	4,846
CAPITAL ASSETS (Note 6)	**225,167**	208,156	171,399
	$ 286,818	$ 247,528	$ 206,346
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	**$ 26,419**	$ 30,007	$ 26,850
Accrued vacation and overtime pay	**4,368**	4,164	4,162
Deferred revenue	**20,721**	10,461	4,249
Current portion of long-term debt (Note 7)	**477**	542	785
	51,985	45,174	36,046
LONG-TERM DEBT (Note 7)	**3,898**	4,476	4,918
EMPLOYEE FUTURE BENEFITS (Note 8)	**3,749**	3,380	1,785
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 9)	**223,044**	189,675	156,471
	282,676	242,705	199,220
COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES (Notes 11 and 12)			
NET ASSETS			
Invested in capital assets (Note 10)	**21,404**	16,327	14,071
Unrestricted (deficiency)	**(16,745)**	(11,504)	(6,945)
	4,659	4,823	7,126
ACCUMULATED REMEASUREMENT LOSSES	**(517)**	-	-
	$ 286,818	$ 247,528	$ 206,346

ON BEHALF OF THE BOARD

Director

Director

See accompanying notes to the financial statements.

QUEENSWAY CARLETON HOSPITAL
Statement of Operations
year ended March 31, 2013
(tabular amounts in thousands of dollars)

	2013	2012 (Unaudited, Note 3)
Revenue		
Funding from Governments	**$ 136,088**	$ 130,139
Inpatient	**1,117**	1,531
Ontario Health Insurance Plan and outpatient	**15,962**	16,702
Preferred accommodation	**3,809**	4,010
Laboratory	**-**	2,185
Recoveries and other	**9,495**	8,442
Amortization of deferred contributions related to major equipment	**3,318**	2,528
Investment income	**69**	169
	169,858	165,706
Expenses		
Salaries and benefits	**124,450**	127,004
Medical and surgical supplies	**11,664**	11,415
Drugs	**3,341**	3,193
Supplies and other	**24,704**	20,152
Amortization of major equipment	**5,451**	5,081
	169,610	166,845
Excess (deficiency) of revenue over expenses before undernoted items	**248**	(1,139)
Amortization of deferred contributions related to buildings	**6,288**	4,683
Amortization of buildings and other	**(7,318)**	(5,747)
	(1,030)	(1,064)
DEFICIENCY OF REVENUE OVER EXPENSES	**$ (782)**	$ (2,203)

See accompanying notes to the financial statements.

QUEENSWAY CARLETON HOSPITAL
Statement of Changes in Net Assets
year ended March 31, 2013
(tabular amounts in thousands of dollars)

	Invested in Capital Assets	Unrestricted	Total 2013	Total 2012 (Unaudited, Note 3)
BALANCE, BEGINNING OF YEAR	**$ 16,327**	**$ (11,504)**	**$ 4,823**	$ 7,126
Adjustment upon adoption of financial instruments section (Note 2)	**618**	**-**	**618**	-
Deficiency of revenue over expenses	**-**	**(782)**	**(782)**	(2,203)
Increase of unrealized losses on interest rate swaps designated as hedges (Note 7)	**-**	**-**	**-**	(100)
Net change in net assets invested in capital assets (Note 10)	**4,459**	**(4,459)**	**-**	-
BALANCE, END OF YEAR	**$ 21,404**	**$ (16,745)**	**$ 4,659**	$ 4,823
Included in BALANCE, END OF YEAR are accumulated unrealized losses on interest rate swaps:	**$ -**	**$ -**	**$ -**	$ (618)

QUEENSWAY CARLETON HOSPITAL
Statement of Changes in Remeasurement Gains and Losses
year ended March 31, 2013
(tabular amounts in thousands of dollars)

		2013
BALANCE, BEGINNING OF YEAR	**$**	**-**
Adjustment upon adoption of financial instruments section (Note 2)		**(618)**
Decrease in unrealized losses on interest rate swaps designated as hedges (Note 7)		**101**
BALANCE, END OF YEAR	**$**	**(517)**

See accompanying notes to the financial statements.

QUEENSWAY CARLETON HOSPITAL
Statement of Cash Flow
year ended March 31, 2013
(tabular amounts in thousands of dollars)

	2013	2012 (Unaudited, Note 3)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Deficiency of revenue over expenses	**$ (782)**	$ (2,203)
Items not affecting cash		
Amortization of capital assets	**12,769**	10,828
Amortization of contributions related to capital assets	**(9,606)**	(7,211)
Provision for employee future benefits	**369**	1,595
Loss on disposal of capital assets	**2**	20
	2,752	3,029
Changes in non-cash operating working capital capital items (Note 15)	**13,131**	5,996
	15,883	9,025
INVESTING		
Decrease (increase) in cash held for capital purposes	**(20,275)**	1,982
FINANCING		
Principal payments under long-term debt	**(542)**	(785)
CAPITAL		
Purchase of capital assets	**(27,221)**	(41,212)
Contributions received for capital assets	**39,041**	29,294
	11,820	(11,918)
NET CASH INFLOW (OUTFLOW)	**6,886**	(1,696)
CASH, BEGINNING OF YEAR	**10,199**	11,895
CASH, END OF YEAR	**$ 17,085**	$ 10,199

See accompanying notes to the financial statements.

1. NATURE OF ENTITY

The Queensway Carleton Hospital (the "Hospital") is a provincially funded, charitable, not-for-profit organization providing health care within various clinical programs in an inpatient and outpatient setting. It is a secondary referral hospital that provides primary and secondary services to the residents of the City of Ottawa and specifically to the West Ottawa community and portions of the Ottawa Valley.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Adoption of new accounting standards

As at April 1, 2012, the Hospital adopted Public Sector Accounting Handbook Section 3450, "*Financial Instruments*". This new standard provides guidance for recognition, measurement and disclosure of financial instruments. The transitional provisions in the standard state that when a government organization applies this standard in the same year it adopts PSAS for the first time, this standard cannot be applied retroactively. Comparative amounts are presented in accordance with the accounting policies applied by the government organization immediately preceding its adoption of Public Sector Accounting Standards. Consequently, unrealized gains and losses reported in the Statements of Financial Position as at March 31, 2012 and April 1, 2011 remain in unrestricted deficiency. The impacts of the adoption of these new standards are as follows:

The Hospital now discloses a Statement of Remeasurement Gains and Losses.

The Statement of Financial Position discloses accumulated remeasurement losses of $517,000 as at March 31, 2013. The Statement of Remeasurement Gains and Losses includes a decrease in unrealized losses on interest swaps of $101,000 which would have previously been included in the Statement of Changes in Net Assets. As at April 1, 2012, the Hospital increased its net assets and decreased accumulated remeasurement losses by an amount of $618,000 to comply with the transition requirements related to the Hospital's unrealized cumulative losses on interest swaps.

Note 16 provides additional disclosures related to the Hospital's financial risks.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

The Hospital follows the deferral method of accounting for contributions.

The Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC") and Champlain Local Health Integrated Network ("LHIN"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of the year are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period. The final amount of operating revenue recorded cannot be confirmed until the MOHLTC has reviewed the Hospital's financial and statistical returns for the year. Any adjustments arising from the MOHLTC review are recorded in the period in which the adjustment is made.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchase of capital assets, together with any interest earned thereon, are deferred and amortized to revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue from the Ontario Health Insurance Plan ("OHIP"), preferred accommodation, and marketed services are recognized when the service is provided.

Investment income is included in the Statement of Operations and includes dividend and interest income, realized gains and losses on disposal of investments and, if applicable, charges for other than temporary impairment of investments. Unrealized gains and losses related to deferred contributions are recorded directly in deferred contributions, as appropriate, until disposal or impairment of the asset. At that time, the related gains and losses are reclassified and included in the Statement of Operations.

Classification of financial instruments

Cash	Fair value
Receivable from Governments	Amortized cost
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Accrued vacation and overtime pay	Amortized cost
Long term debt - excluding interest rate swap	Amortized cost
Long term debt - interest rate swap	Fair value

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories of supplies are valued at the lower of average cost and replacement cost, less a provision for any obsolete or unusable inventory on hand.

Capital assets

Capital assets are recorded at cost. Assets acquired under capital leases are initially recorded at the present value of future minimum lease payments. Minor equipment replacements are expensed in the year of replacement. Construction in progress and various projects in process are not amortized until the project is complete and the facilities come into use. When a capital asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value. Amortization is provided on the straight-line basis over the following useful lives:

Land improvements	up to 25 years
Buildings	up to 40 years
Building service equipment	up to 35 years
Major equipment	up to 10 years

Employee future benefits

The Hospital accrues its obligations for benefit plans as the employees render the services necessary to earn these benefits. The cost of post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service, and management's best estimate of retirement ages of employees and expected health and dental care costs. The most recent actuarial valuation of the benefit plans was as at April 1, 2010, and the next required valuation will be as at April 1, 2013.

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gains (losses) over the accrued benefit obligation is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the benefit plans is fifteen years.

Adjustments arising from plan amendments are recognized immediately in the period of plan amendment.

The Hospital is an employer member of the Hospitals of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term debt

Long-term debt is recorded at amortized cost using the effective interest rate method. The fair values of the loans are based on an assessment of interest rate risk and credit risk. Fair value is determined under a discounted cash flow methodology using a discount rate based on interest rates currently charged for new loans with similar terms and remaining maturities, adjusted for a credit risk factor, which is reviewed at least annually. For certain variable rate loans that reprice frequently and for loans without a stated maturity, fair values are assumed to be equal to carrying values.

Derivative financial instruments

The Hospital uses derivative financial instruments to manage interest rate risk. The only derivative products used by the Hospital are interest rate swaps. Derivative instruments are recorded on the Statement of Financial Position as assets and/or liabilities and are measured at fair value. Derivatives with a positive fair value are reported as assets, and derivatives with a negative fair value are reported as liabilities.

As of April 1, 2012, changes in the fair value of derivative financial instruments are included in Statement of Remeasurement Gains and Losses. Previous to April 1, 2012, such changes were recorded in the Statement of Changes in Net Assets.

The periodic exchanges of payments on interest rate swaps are recorded as an adjustment to interest expense in the same period.

Donated services

Volunteers donate significant time each year to assist the Hospital in carrying out its services. These donated services are not recognized in the financial statements because of the difficulty associated with measurement.

Use of estimates

The preparation of financial statements in conformity with Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Such estimates include judgments as to the valuation of the employee future benefits liability, estimated useful lives of capital assets, collectibility of accounts receivable and the amount of accrued liabilities. Actual results could differ from these estimates. These estimates are reviewed annually, and as adjustments become necessary, they are recorded in the financial statements in the period they become known.

3. ADOPTION OF A NEW ACCOUNTING FRAMEWORK

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

(a) recognized all assets and liabilities whose recognition is required by the new standards;

(b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;

(c) reclassified items that it recognized previously as one type of asset, liability or component of equity, but are recognized as a different type of asset, liability or component of equity under the new standards; and

(d) applied the new standards in measuring all recognized assets and liabilities.

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

The Hospital elected to delay the application of the requirements related to the discount rate until the date of the Hospital’s next actuarial valuation, which will be as at April 1, 2013. The Hospital did not elect any other exemption upon transition.

(tabular amounts in thousands of dollars)

3. ADOPTION OF A NEW ACCOUNTING FRAMEWORK (Continued)

Impact of the adoption of the new standards on the Statements of Financial Position and Net Assets as at April 1, 2011:

	Balance as previously reported as at March 31, 2011	Adjustment	Reference	Balance as adjusted as at April 1, 2011
Assets				
Cash	$ 11,895	$ -		$ 11,895
Receivable for governments	8,834	-		8,834
Accounts receivable	6,670	-		6,670
Due from Queensway Carleton Hospital Foundation	667	-		667
Inventories	1,183	-		1,183
Prepaid expenses	852	-		852
Cash held for capital purposes	4,846	-		4,846
Capital assets	171,399	-		171,399
	$ 206,346	**$ -**		**$ 206,346**
Liabilities and other components				
Accounts payable and accrued liabilities	$ 26,850	$ -		$ 26,850
Accrued vacation and overtime pay	4,162	-		4,162
Deferred revenue	4,249	-		4,249
Long-term debt	5,703	-		5,703
Employee future benefits	2,161	(376)	(a)	1,785
Deferred contributions related to capital assets	156,471	-		156,471
	199,596	(376)		199,220
Net assets				
Invested in capital assets	14,071	-		14,071
Unrestricted	(7,321)	376	(a)	(6,945)
	6,750	376		7,126
	$ 206,346	**$ -**		**$ 206,346**

QUEENSWAY CARLETON HOSPITAL
Notes to the Financial Statements
year ended March 31, 2013
(tabular amounts in thousands of dollars)

3. ADOPTION OF A NEW ACCOUNTING FRAMEWORK (Continued)

Impact of the adoption of the new standards on the Statements of Financial Position and Net Assets as at March 31, 2012:

	Balance as previously reported as at March 31, 2012	Adjustment	Reference	Balance as adjusted as at March 31, 2012
Assets				
Cash	$ 10,199	$ -		$ 10,199
Receivable for governments	11,517	-		11,517
Accounts receivable	9,067	-		9,067
Due from Queensway Carleton Hospital Foundation	3,668	-		3,668
Inventories	978	-		978
Prepaid expenses	1,079	-		1,079
Cash held for capital purposes	2,864	-		2,864
Capital assets	208,156	-		208,156
	$ 247,528	**$ -**		**$ 247,528**
Liabilities and other components				
Accounts payable and accrued liabilities	$ 30,007	$ -		$ 30,007
Accrued vacation and overtime pay	4,164	-		4,164
Deferred revenue	10,461	-		10,461
Long-term debt	5,018	-		5,018
Employee future benefits	2,494	886	(b)	3,380
Deferred contributions related to capital assets	189,675	-		189,675
	241,819	886		238,541
Net assets				
Invested in capital assets	16,327	-		16,327
Unrestricted	(10,618)	(886)	(b)	(11,504)
	5,709	(886)		4,823
	$ 247,528	**$ -**		**$ 247,528**

(tabular amounts in thousands of dollars)

3. ADOPTION OF A NEW ACCOUNTING FRAMEWORK (Continued)

Impact of the adoption of the new standards on the Statement of Operations for the year ended March 31, 2012:

	Balance as previously reported March 31, 2012	Adjustment	Reference	Balance as adjusted as at March 31, 2012
Revenue				
Funding from governments	$ 130,139	$ -		$ 130,139
Inpatient	1,531	-		1,531
Ontario Health Insurance Plan and Outpatient	16,702	-		16,702
Preferred accommodation	4,010	-		4,010
Laboratory	2,185	-		2,185
Recoveries and other	8,442	-		8,442
Amortization of contributions related to major equipment	2,528	-		2,528
Investment income	169	-		169
	165,706	-		165,706
Expenses				
Salaries and benefits	125,742	1,262	(c)	127,004
Medical and surgical supplies	11,415	-		11,415
Drugs	3,193	-		3,193
Supplies and other	20,152	-		20,152
Amortization of major equipment	5,081	-		5,081
	165,583	1,262		166,845
Excess of revenue over expenses before the undernoted items	123	(1,262)		(1,139)
Amortization of contributions related to buildings	4,683	-		4,683
Amortization of buildings and other	(5,747)	-		(5,747)
	(1,064)	-		(1,064)
Excess (deficiency) of revenue over expenses	$ (941)	$ (1,262)		$ (2,203)

3. ADOPTION OF A NEW ACCOUNTING FRAMEWORK (Continued)

Explanation of adjustments

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

The Hospital has elected to continue using the rates developed under Part V of the Canadian Institute of Chartered Accountants (CICA) Handbook until the next scheduled actuarial valuation at April 1, 2013.

Under Canadian Public Sector Accounting Standards, the value of the post-retirement benefits for active employees are attributed to years of service from each employees date of hire to their expected retirement date (age 60 for QCH). Under Part V of the CICA Handbook, the attribution period is from the employee’s date of hire to the earliest date the employee may receive full retirement benefit. The change in the attribution period results in the cost of benefits being spread over a longer period of time for active employees under Canadian public sector accounting standards, resulting in a decrease in employee future benefit liability of $423,300.

The Hospital elected at transition to recognize all unamortized gains and losses into unrestricted net assets, resulting in an increase of the employee future benefit liability of $47,200.

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

During the year ended March 31, 2012, the Hospital provided benefits to eligible unionized and non-unionized employees for past service. Under Canadian Public Sector Accounting Standards, past service costs are recognized in the Statement of Operations in the period of plan amendment. Under Part V of the CICA Handbook, past service costs are amortized over the expected average remaining service life of the related employee group. This change, combined with the changes noted above in (a), results in a net increase of the employee future benefit liability of $886,400.

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

The additional expense of $1,262,000 represents the net increase of the variance in the employee future benefit liability between April 1, 2011 and March 31, 2012. There is no impact to cash flows from operations as a result of this change.

(tabular amounts in thousands of dollars)

4. CAPITAL MANAGEMENT

The Hospital defines its capital as long-term debt, deferred contributions related to capital assets and its net assets. The conditions and restrictions for the long-term debt are described in Note 7.

Through the management of its capital, the Hospital strives to maintain and expand capacity, where possible, to continue operations, including the renewal of capital assets, in order to remain a viable charitable, not-for-profit organization providing health care services. The Hospital relies on grants from the MOHLTC and other government agencies as well as community contributions through the Queensway Carleton Hospital Foundation (Note 13). The Hospital's definition of capital has not changed from the prior year, and the Hospital has complied with the conditions and requirements of capital grants, contributions and long-term debt throughout the year.

5. RECEIVABLE FROM GOVERNMENTS

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited - Note 3)	
Ministry of Health and Long-Term Care			
Capital	**$ 3,934**	$ 11,121	$ 7,751
Operating	**167**	-	75
Champlain Local Health Integrated Network	**-**	271	855
Cancer Care Ontario	**56**	125	5
Other	**-**	-	148
	$ 4,157	$ 11,517	$ 8,834

(tabular amounts in thousands of dollars)

6. CAPITAL ASSETS

	March 31, 2013 Cost	March 31, 2013 Accumulated Amortization	March 31, 2013 Net Book Value	March 31, 2012 Net Book Value	April 1, 2011 Net Book Value
				(Unaudited - Note 3)	
Land improvements	**$ 3,272**	**$ 2,435**	**$ 837**	$ 1,004	$ 1,178
Buildings	**152,912**	**27,189**	**127,723**	85,624	87,401
Building service equipment	**86,808**	**20,351**	**66,457**	36,165	38,504
Major equipment	**95,344**	**72,175**	**23,169**	14,898	16,325
Construction in progress	**8,981**	**-**	**8,981**	70,465	27,991
	$ 347,317	**$ 122,150**	**$ 225,167**	$ 208,156	$ 171,399

Cost and accumulated amortization as at March 31, 2012 amounted to $317,539,000 and $109,383,000, respectively. Cost and accumulated amortization as at April 1, 2011 amounted to $269,964,000 and $98,565,000, respectively.

7. LONG-TERM DEBT

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited - Note 3)	
Co-generation project loan, reaching maturity on December 31, 2019, interest rate of 5.88%, annual payments of $487, principal and interest	**$ 3,858**	$ 4,307	$ 4,729
MRI loan, matured June 1, 2012	**-**	93	456
Unrealized losses on interest rate swaps	**517**	618	518
Total loans	**4,375**	5,018	5,703
Less current portion	**477**	542	785
	$ 3,898	$ 4,476	$ 4,918

(tabular amounts in thousands of dollars)

7. LONG-TERM DEBT (Continued)

Principal payments required in each of the next five years are as follows:

2014	**$ 477**
2015	**506**
2016	**538**
2017	**572**
2018	**608**
Thereafter	**1,157**
	$ 3,858

Interest rate derivative agreements

Interest rate swaps are agreements where two counterparties exchange a series of payments based on different interest rates applied to a notional amount in a single currency. Interest rate swaps are used to adjust exposure to interest rate risk by modifying the repricing or maturity characteristics of existing and/or anticipated assets and liabilities.

The Hospital has entered into the following interest rate derivative arrangements:

- The Hospital converted $6,000,000 of floating rate debt of the Co-generation project bank loan to fixed rate debt of 5.88%. This derivative agreement is effective from September 15, 2003 to December 31, 2019.

- The Hospital converted $2,500,000 of floating rate debt of the MRI project bank loan to fixed rate debt of 4.79%. This derivative agreement matured June 1, 2012.

Derivatives - notional amounts

Notional amounts, which are not recorded in the financial statements, serve as a point of reference for calculating payments and are a common measure of business volume. The notional amount of the Hospital's derivative transactions is $3,858,000 (March 31, 2012 - $4,400,000; April 1, 2011 - $5,185,000).

Fair value

As at March 31, 2013, the interest rate swaps have unrealized losses, which are recorded on the Statement of Financial Position, of $517,000 (March 31, 2012 - $618,000; April 1, 2011 - $518,000). The fair value of the loans as at March 31, 2013 was $4,375,000 (March 31, 2012 - $5,018,000; April 1, 2011 - $5,703,000).

(tabular amounts in thousands of dollars)

8. EMPLOYEE FUTURE BENEFITS

The Hospital has defined post-retirement benefit plans covering certain employee groups. These plans provide health and dental benefits to eligible employees up to the age of 65.

The reconciliation of the funded status of the benefit plans to the amount recorded in the financial statements is as follows:

	March 31, 2013	March 31, 2012 (Unaudited - Note 3)	April 1, 2011 (Unaudited - Note 3)
Accrued benefit obligation and funded status - plan deficit	**$ 3,749**	$ 3,652	$ 1,785
Unamortized experience losses	**-**	(272)	-
Accrued benefit liability	**$ 3,749**	$ 3,380	$ 1,785

The following table provides details of the changes in accrued benefit liability during the year ended March 31:

	March 31 2013	March 31, 2012 (Unaudited) (Note 3)
Benefit expense, included in Statement of Operations	$ 411	$ 1,650
Payments made by the Hospital during the year	(42)	(55)
Change in accrued benefit liability	$ 369	$ 1,595

(tabular amounts in thousands of dollars)

8. EMPLOYEE FUTURE BENEFITS (Continued)

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

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited - Note 3)	
Discount rate for calculation of net benefit costs	**3.75%**	4.00%	5.00%
Discount rate for calculation of accrued benefit obligation	**4.00%**	4.00%	4.00%
Dental costs rate increase	**4.00%**	4.00%	4.00%
Extended health care costs rate increase	**7.00%**	8.00%	8.00%

(tabular amounts in thousands of dollars)

9. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent the unamortized balance of grants and donations received for the purchase of capital assets, plus any interest earned thereon. The amortization of deferred contributions related to capital assets is recorded as revenue in the Statement of Operations. The changes for the year are as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited - Note 3)	
Balance, beginning of year	**$ 189,675**	$ 156,471	$ 143,657
Contributions received during the year			
Ministry of Health and Long-Term Care	**34,563**	30,739	18,876
Queensway Carleton Hospital Foundation	**7,544**	8,621	824
Other	**470**	864	1,112
Interest earned on cash held for capital purposes	**398**	191	6
Amortization to revenue during the year	**(9,606)**	(7,211)	(8,004)
Balance, end of year	**$ 223,044**	$ 189,675	$ 156,471

The balance of unamortized and unspent funds consists of the following:

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited - Note 3)	
Unspent contributions	**$ 23,139**	$ 2,864	$ 4,846
Unamortized capital contributions	**199,905**	186,811	151,625
	$ 223,044	$ 189,675	$ 156,471

(tabular amounts in thousands of dollars)

10. NET ASSETS INVESTED IN CAPITAL ASSETS

Net assets invested in capital assets are calculated as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited - Note 3)	
Capital assets (Note 6)	**$ 225,167**	$ 208,156	$ 171,399
Less amounts financed by:			
Deferred contributions (Note 9)	**(199,905)**	(186,811)	(151,625)
Long-term debt (Note 7)	**(3,858)**	(4,400)	(5,185)
Unrealized losses on interest rate swaps designated as hedges (Note 7)	**-**	(618)	(518)
Net assets invested in capital assets	**$ 21,404**	$ 16,327	$ 14,071

Changes in net assets invested in capital assets during the year are calculated as follows:

	March 31, 2013	March 31, 2012
		(Unaudited) (Note 3)
Purchase of capital assets, net of disposals	**$ 29,780**	$ 47,585
Amounts funded by deferred contributions	**(42,975)**	(40,415)
Changes in unspent contributions	**20,275**	(1,982)
Repayment of long-term debt	**542**	785
Amortization of contributions related to capital assets	**9,606**	7,211
Amortization of capital assets	**(12,769)**	(10,828)
	4,459	2,356
Change in interest rate swap liability	**618**	(100)
Net changes in net assets invested in capital assets	**$ 5,077**	$ 2,256

11. COMMITMENTS AND GUARANTEES

Operating leases

In July 1973, the Hospital entered into a lease with the National Capital Commission ("NCC") for approximately 50 acres on which the Hospital is located. The lease was amended in November 2006 to extend it to July 2048 at an annual lease cost of $1.00.

Hospital redevelopment projects

The Hospital has committed to a major redevelopment plan which has been undertaken in three phases. Phase I was completed in 1999 and Phase II was completed in 2005.

The MOHLTC gave approval to the Hospital to proceed with the Operating Room portion of Phase III as an Early Works project which was completed in January 2008.

The Hospital received approval from the MOHLTC on October 15, 2010 to award the construction contract for the final phase of the restructuring redevelopment referred to as Phase IIIA. The base value of the construction contract with the general contractor is $80,650,000, for which the value of the work completed to March 31, 2013 is approximately 93%. The total project is estimated to cost $117,604,000 including architect and related fees and equipment. The MOHLTC will be providing capital grants to a maximum of $90,727,000 towards this cost. The balance of the Phase IIIA project will be funded by the Queensway Carleton Hospital Foundation and the Queensway Carleton Hospital. The Phase IIIA Redevelopment project is expected to be completed during the 2013-2014 fiscal year of the Hospital.

Bank loan

The Hospital has guaranteed a bank loan obtained by the Queensway Carleton Hospital Foundation for the maximum amount of $12,375,000, excluding interest and expenses. The Foundation used the proceeds of this loan to pay the License fee disclosed in Note 13. The Hospital is not aware of any facts which would cause a default of the loan by the Foundation. At March 31, 2013, the Foundation has an outstanding balance of $9,630,000 (March 31, 2012 - $9,883,000; April 1, 2011 - $10,127,000).

11. COMMITMENTS AND GUARANTEES (Continued)

Line of credit

At March 31, 2013, Hospital Food Services - Ontario, Inc. ("HFS") has an outstanding balance of $6,423,064 (March 31, 2012 - $7,568,262; April 1, 2011 - $8,715,024) on an available line of credit for which the Hospital is one of the guarantors. In the event of any breach of covenants associated with this line of credit, the Hospital may be required to advance funds to HFS in accordance with its guarantee of the debt. The Hospital's share of the potential debt repayment is based on the agreement between HFS and the member hospitals, which at March 31, 2013 is 11.3% (March 31, 2012 - 11.3%; April 1, 2011 - $11.3%). This rate was fixed in 2008 - 2009 based on the percentage of the Hospital's purchases in that year.

At March 31, 2013, the Hospital's share of the potential debt repayment should HFS default on the line of credit is $725,806 (March 31, 2012 - $855,214; April 1, 2011 - $984,798). As at the date of approval of the financial statements, there has been no such request by the debtor.

12. CONTINGENT LIABILITIES

The nature of the Hospital's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2013, management believes the Hospital has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have material effect on the Hospital's financial position.

The Hospital has indemnified its past, present and future directors, officers, employees and volunteers against expenses (including legal expenses), judgments, and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding in which the directors are sued as a result of their service if they acted honestly and in good faith with a view to the best interest of the Hospital. The Hospital has purchased directors' liability insurance with respect to this indemnification.

A group of hospitals, including the Hospital, formed the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members and these losses could be material. No reassessments have been made to March 31, 2013.

The Hospital is contingently liable under a letter of credit in the amount of $217,275 as required by the Hospital's site plan agreement with the City of Ottawa related to the construction of the Phase III Redevelopment project (Note 10).

13. RELATED PARTY TRANSACTIONS

Queensway Carleton Hospital Foundation

The Hospital has an economic interest in the Queensway Carleton Hospital Foundation (the "Foundation"). The Foundation was established to raise, receive, maintain and manage funds to be distributed towards various programs and capital projects of the Hospital.

During the year ended March 31, 2013, the Foundation contributed $7,544,000 (March 31, 2012 - $8,621,000) to the Hospital for capital purposes. In addition, the Foundation contributed $38,000 (March 31, 2012 - $70,000) in other contributions. As at March 31, 2013, the Foundation has a fund balance of $9,710,000 (March 31, 2012 - $11,646,000; April 1, 2011 - $10,311,000).

In 2009, the Hospital signed a twenty-year License Agreement with the Foundation whereby the Foundation has the exclusive right to operate the parking facilities in exchange for a one-time upfront license fee in the amount of $11,927,000 plus applicable taxes, equal to the fair value of the parking facilities at the time of the agreement. In connection with the License Agreement, in 2009, the Hospital and the Foundation signed two separate agreements whereby the Foundation purchases services from the Hospital for maintenance/repair and management of the parking facilities. For the year ended March 31, 2013, the Foundation paid the Hospital $514,000 (March 31, 2012 - $519,971) for maintenance and repairs and $211,000 (March 31, 2012 - $206,438) for management of the parking facilities.

Hospital Food Services - Ontario, Inc. and Ottawa Regional Hospital Linen Services Incorporated

The Hospital is a founding member of Hospital Food Services - Ontario, Inc. ("HFS") and of the Ottawa Regional Hospital Linen Services Incorporated ("ORHLS"). HFS and ORHLS were established to provide food and laundry services, respectively, to member hospitals on a cost of service basis. Both HFS and ORHLS are incorporated without share capital under the Ontario Business Corporations Act. Both corporations are not-for-profit organizations under the Income Tax Act, and as such, are exempt from income taxes. The Hospital maintains an economic interest in both entities.

At March 31, 2013, the Hospital had an economic interest of $369,290 (March 31, 2012 - $379,736; April 1, 2011 - $365,046) of total net assets of $5,968,503 (March 31, 2012 - $5,774,294; April 1, 2011 - $5,638,959) of HFS. The corresponding interest in ORHLS is $1,342,055 (March 31, 2012 - $1,375,795; April 1, 2011 - $1,262,797) of total net assets of $12,133,027 (March 31, 2012 - $12,427,957; April 1, 2011 - $11,411,587).

13. RELATED PARTY TRANSACTIONS (Continued)

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

For the year ended March 31, 2013, the Hospital provided a total of $675,000 (March 31, 2012 - $1,184,000) to HFS, $675,000 (March 31, 2012 - $330,000) for food purchases and $NIL (March 31, 2012 - $854,000) for food commissary finance charges. The Hospital also provided $1,994,000 (March 31, 2012 - $1,865,000) to ORHLS for linen services. These amounts, except for food commissary finance charges, have been included in supplies and other on the Statement of Operations. The finance charges are netted against MOHLTC funding specific to this payment.

Eastern Ontario Regional Laboratory Association

The Hospital is a founding member of Eastern Ontario Regional Laboratory Association ("EORLA"). EORLA was established to provide laboratory services to member hospitals on a cost of service basis. EORLA is incorporated without share capital under the Ontario Business Corporations Act. EORLA is a not-for-profit organization under the Income Tax Act, and as such, is exempt from income taxes. The Hospital maintains an economic interest in EORLA.

Effective April 1, 2012, the Hospital transferred all laboratory operations to EORLA. As part of this transfer, all non-physician laboratory employees previously employed by the Hospital became employees from EORLA. EORLA charges member hospitals, including the Hospital, on a cost-per-test basis. Included in supplies and other expense are $5,699,000 in laboratory charges to EORLA. Included in accounts payable at March 31, 2013 is a payable to EORLA of $1,674,000 (March 31, 2012 - accounts receivable of $74,000 for costs incurred by the Hospital on behalf of EORLA; April 1, 2011 - $NIL).

Champlain Health Supply Services

The Hospital is a founding member of Champlain Health Supply Services ("CHSS"). CHSS was established to provide sourcing, procurement and logistics services to member hospitals within the Champlain LHIN. CHSS is incorporated without share capital under the Ontario Business Corporations Act. CHSS is a not-for-profit organization under the Income Tax Act, and as such, is exempt from income taxes. The Hospital maintains an economic interest in CHSS.

During the year, the Hospital paid $125,000 (March 31, 2012 - $125,000) to CHSS for the Hospital’s portion of CHSS’ operating expenses.

Included in accounts receivable at March 31, 2013 is an amount receivable from CHSS of $1,561,000 (March 31, 2012- $1,200,000; April 1, 2011 - $NIL) for payments made by the Hospital on behalf of CHSS.

14. PENSION PLAN

Substantially all of the employees of the Hospital are members of the Hospitals of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. 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 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 actuarial valuation of the Plan as at December 31, 2012 indicated the Plan is fully funded. Contributions to the Plan made during the year by the Hospital on behalf of its employees amounted to $6,637,348 (2012 - $6,745,654) and are included in the Statement of Operations.

(tabular amounts in thousands of dollars)

15. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	2013	2012 (Unaudited) (Note 3)
Receivable from governments	**$ 11,294**	$ 8,438
Accounts receivable	**(2,242)**	(2,397)
Due from related parties	**(279)**	(3,001)
Inventories	**175**	205
Prepaid expenses	**88**	(227)
Accounts payable and accrued liabilities	**(6,369)**	(3,236)
Accrued vacation and overtime pay	**204**	2
Deferred revenue	**10,260**	6,212
	$ 13,131	$ 5,996

In 2013, capital assets additions totalling $2,561,000 (2012 - $6,393,000) were excluded from the Statement of Cash Flows as they were unpaid at March 31. In addition, deferred contributions received for capital assets totalling $3,934,000 (2012 - $11,121,000) were excluded from the Statement of Cash Flows as they were receivable as at March 31, 2013 (Note 5).

16. FINANCIAL INSTRUMENTS

Fair value

The fair values of receivable from Governments, accounts receivable, accounts payable and accrued liabilities, and accrued vacation and overtime pay approximates fair value due to the relatively short period to maturity of the instruments.

The fair value of the due from Queensway Carleton Hospital Foundation is not determinable due to the related party nature of the receivable.

The fair value of long-term debt is not materially different from the carrying value.

16. FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

Financial instruments are grouped into Levels 1 to 3 based on the degree to which fair value is observable:

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

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

Cash is a level 1 financial asset and the interest rate swap is a level 2 financial liability.

There were no transfers between levels for the year ended March 31, 2013.

Financial instrument risk management

Credit risk

Credit risk arises from the potential that a counterparty to an investment will fail to perform its obligations. Concentrations of credit risk exists when a significant proportion of investments are invested in securities with similar characteristics or subject to similar economic, political or other conditions.

The Hospital is exposed to credit risk on its accounts receivable and receivable from Government. The maximum exposure to credit risk is the carrying value reported in the statement of financial position. Credit risk is mitigated through collection practices and the diverse nature of amounts with accounts receivable and receivable from Governments.

16. FINANCIAL INSTRUMENTS (Continued)

Credit risk (Continued)

The Hospital considers receivables to be past due when they are over 90 days old. At March 31, 2013, the balance of receivables over 90 days is $5,797,000. Of this amount, $3,934,000 is receivable from Governments, and $542,000 is due from Queensway Carleton Hospital Foundation. The Hospital does not consider these amounts to be impaired due to the nature of the receivables and the nature of the counterparty. The remaining balance relates to patient and other receivables. The Hospital actively manages and monitors these receivables balances. An impairment allowance is set up based on the Hospital's historical experience regarding collections.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure credit risk.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments due to changes in market interest rates.

There is a risk to the Hospital's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. To effectively manage this risk, the Hospital entered into an interest rate swap agreements on September 15, 2003. The Hospital has established strict guidelines that are monitored regularly and does not hold or issue derivative financial instruments for trading or speculative purposes.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Hospital will not be able to meet all cash flow obligations as they come due. The Hospital mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and cash flow analysis.

Accounts payable and accrued vacation and overtime pay mature within one year. Long-term debt matures according to the table in Note 7.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure liquidity risk.

Price and currency risks

The Hospital is not exposed to significant equity or currency risk.