Financial Statements of

ROYAL OTTAWA HEALTH CARE GROUP

And Independent Auditor's Report thereon

Year ended March 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Royal Ottawa Health Care Group

Opinion

We have audited the financial statements of the Royal Ottawa Health Care Group (the Entity), which comprise:

- the statement of financial position as at March 31, 2024
- the statement of operations for the year then ended
- the statement of changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- the statement of remeasurement losses for the year then ended
- and notes to the 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 financial position of the Entity as at March 31, 2024, and its results of operations, its changes in fund balances, its cash flows, and its remeasurement gains and losses 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 Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical 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.

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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 20, 2024

ROYAL OTTAWA HEALTH CARE GROUP

Financial Statements

Year ended March 31, 2024

ROYAL OTTAWA HEALTH CARE GROUP

Statement of Financial Position

March 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash	$ 19,909,754	$ 14,899,951
Short-term investments (note 4(a))	49,587,208	42,170,376
Accounts receivable (note 5)	4,603,351	7,025,324
Receivable from Provinces and Territories	3,811,636	5,904,876
Due from related entities (note 6)	3,023,399	2,472,261
Inventories	608,347	468,802
Prepaid expenses	4,173,440	3,875,223
	85,717,135	76,816,813
Restricted investments - building reserves (note 4(b))	13,925,041	15,504,970
Capital assets (note 7)	134,229,239	140,205,993
	$ 233,871,415	$ 232,527,776
Liabilities and Fund Balances		
Current liabilities:		
Payable to the Province of Ontario	$ 35,516,981	$ 39,270,173
Accounts payable and accrued liabilities	32,610,040	32,075,416
Advance payments for designated projects	1,023,731	1,110,965
Current portion of deferred revenue	2,033,089	1,791,035
Scheduled cash repayments of loans (note 8)	301,736	568,124
Current portion of capital lease obligation (note 8)	11,645,921	10,911,292
Current liabilities before callable debt	83,131,498	85,727,005
Callable debt (note 8)	1,175,176	1,476,911
	84,306,674	87,203,916
Long-term debt (note 8)	29,205,124	40,900,206
Deferred revenue	20,832,893	14,302,541
Deferred capital asset contributions (note 9)	73,706,246	68,954,790
Employee future benefits (note 13)	8,685,900	8,482,400
Due to external parties - vested benefits	97,880	8,326
	132,528,043	132,648,263
	216,834,717	219,852,179
Fund balances:		
Internally restricted	2,644,305	2,360,203
Unrestricted	14,654,688	11,967,945
	17,298,993	14,328,148
Accumulated remeasurement losses	(262,295)	(1,652,551)
	17,036,698	12,675,597
Commitments, contingencies and guarantees (note 14)		
	$ 233,871,415	$ 232,527,776

See accompanying notes to financial statements.

Approved by the Board:

Director (Sharon Squire)

Director (José Gallant)

ROYAL OTTAWA HEALTH CARE GROUP

Statement of Operations

Year ended March 31, 2024, with comparative information for 2023

	Operations Fund	Non-Operations Fund	2024	2023
Revenue:				
Funding from the Province of Ontario:				
Ministry of Health of Ontario/ Ministry of LTC	$ 176,899,818	$ 3,237,640	$ 180,137,458	$ 159,669,174
Ministry of Children, Community and Social Services	1,154,484	–	1,154,484	1,201,597
Ministry of the Solicitor General	17,570,063	–	17,570,063	17,221,193
Department of Veterans Affairs	9,290,542	–	9,290,542	8,030,784
Patient revenues	3,180,891	–	3,180,891	3,339,058
Differential revenues	98,590	–	98,590	126,176
Amortization of deferred contributions - major equipment	1,179,185	–	1,179,185	1,677,032
Amortization of deferred contributions - land, buildings, services	371,367	5,135,048	5,506,415	5,253,639
Recoveries and other revenue	8,721,489	–	8,721,489	7,186,973
Investment income	2,608,191	–	2,608,191	1,361,500
	221,074,620	8,372,688	229,447,308	205,067,126
Expenses:				
Salaries and wages	119,362,132	–	119,362,132	106,991,654
Employee benefits	33,419,627	–	33,419,627	30,751,230
Medical staff remuneration	12,685,980	–	12,685,980	12,237,901
Medical and surgical supplies	750,580	–	750,580	702,327
Drugs	2,097,728	–	2,097,728	1,894,690
Contracts and other expenses (note 12)	44,986,393	–	44,986,393	43,317,597
Amortization of equipment	3,665,650	–	3,665,650	3,983,174
Amortization of buildings and land improvements	671,239	5,494,429	6,165,668	5,890,332
Mortgage interest	105,069	3,237,636	3,342,705	4,024,398
	217,744,398	8,732,065	226,476,463	209,793,303
Excess (deficiency) of revenue over expenses	$ 3,330,222	$ (359,377)	$ 2,970,845	$ (4,726,177)

See accompanying notes to financial statements.

ROYAL OTTAWA HEALTH CARE GROUP

Statement of Changes in Fund Balances

Year ended March 31, 2024, with comparative information for 2023

	Operations		Non-Operations		
	Internally restricted	Unrestricted	Unrestricted	2024 Total	2023 Total
Fund balance, beginning of year	$ 2,360,203	$ 11,967,945	$ –	$ 14,328,148	$ 19,054,325
Excess (deficiency) of revenue over expenses	–	3,330,222	(359,377)	2,970,845	(4,726,177)
Transfer of ancillary revenue for local share of ROMHC Redevelopment Project	284,102	(643,479)	359,377	–	–
Fund balance, end of year	$ 2,644,305	$ 14,654,688	$ –	$ 17,298,993	$ 14,328,148

See accompanying notes to financial statements.

ROYAL OTTAWA HEALTH CARE GROUP

Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ 2,970,845	$ (4,726,177)
Items not affecting cash:		
Amortization of deferred capital asset contributions	(6,685,600)	(6,930,671)
Amortization of capital assets	9,831,318	9,873,506
Increase (decrease) in due to external parties - vested benefits	89,554	(118,096)
Increase in employee future benefits	203,500	394,400
Changes in non-cash operating working capital items (note 11(a))	6,992,917	6,419,943
	13,402,534	4,912,905
Financing activities:		
Increase in deferred capital asset contributions	11,437,056	14,645,180
Principal repayments on long-term debt	(11,479,415)	(10,760,702)
	(42,359)	3,884,478
Investing activities:		
Purchase of capital assets	(3,854,564)	(6,600,675)
Net acquisitions on short-term investments	(6,412,671)	(2,657,019)
Net disposals (acquisitions) on restricted investments	1,916,863	(539,002)
	(8,350,372)	(9,796,696)
Increase (decrease) in cash	5,009,803	(999,313)
Cash, beginning of year	14,899,951	15,899,264
Cash, end of year	$ 19,909,754	$ 14,899,951

See accompanying notes to financial statements.

ROYAL OTTAWA HEALTH CARE GROUP

Statement of Remeasurement Losses

Year ended March 31, 2024, with comparative information for 2023

		2024		2023
Accumulated remeasurement losses, beginning of year	$	(1,652,551)	$	(691,357)
Change in cumulative gains (losses) in the year:				
Realized gain (loss) on investments		501,658		(375,147)
Unrealized gain (loss) on investments		839,437		(706,736)
Derivatives (note 8(e)(ii))		49,161		120,689
Net remeasurement gains (losses) for year		1,390,256		(961,194)
Accumulated remeasurement losses, end of year	$	(262,295)	$	(1,652,551)

See accompanying notes to financial statements.

1. Nature of entity:

Royal Ottawa Health Care Group (the "Group") was incorporated under the Corporations Act of Ontario. The Group is a not-for-profit organization under the Income Tax Act (Canada) and as such is exempt from income taxes. The Group is comprised of the Royal Ottawa Mental Health Center (“ROMHC”), Brockville Mental Health Center (“BMHC”), and Royal Ottawa Place, a long-term care facility.

The financial statements do not include the assets, liabilities or operations of Royal Ottawa Foundation for Mental Health, University of Ottawa Institute of Mental Health Research, Royal Ottawa Volunteer Association, NCE-IKTP Youth Mental Health, Friends of Royal Ottawa Foundation, Inc., Atlas Institute for Veterans and Families or Healthcare Food Services Inc. Each of these entities shares a relationship with the Group as disclosed in note 6.

2. Significant accounting policies:

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

(a) Basis of presentation:

The Group follows the deferral method of accounting for contributions for government not-for-profit organizations which includes provincial government allocations, other contributions and grants.

(b) Revenue recognition and fund accounting:

The accounts of the Group are classified for reporting purposes into funds in accordance with activities or objectives specified by the external parties or in accordance with the directives issued by the Board of Trustees. For financial reporting purposes, the fund balances have been classified into two funds consisting of the following:

(i) The Operations Fund includes the day-to-day transactions in regard to the operations of the Group. Unless otherwise specified, any interest earned is included in the Operations Fund.

(ii) The Non-Operations Fund includes transactions of a capital nature related to the funding and financing of the cost of construction and the life cycle costs of the ROH Redevelopment Project.

The Group receives the majority of its funding from the Ministry of Health/Local Health Integration Network , the Ministry of the Solicitor General and the Ministry of Children and Youth Services (the “Ministries”).

2. Significant accounting policies (continued):

(b) Revenue recognition and fund accounting (continued):

Annual provincial allocations are determined by the Ministries and are recorded as revenue in the year to which they relate. The Group is responsible for any incurred deficit. The final amount of operating revenue recorded cannot be determined until the Ministries have reviewed the Group's financial and statistical returns for the year. Any adjustments arising from the Ministries' review are recorded in the period in which the adjustment is made. The total receivable balance from the Ministries in respect of the Group's operations comprises the remaining balance of the agreed allocation and outstanding amounts, if any, from earlier years.

Other contributions and grants are received primarily for capital, research and development and other purposes. Contributions received for capital purposes are credited to deferred capital asset contributions and amortized on the same basis as the related asset. Grants received for research and development and other purposes are deferred and offset against related costs as incurred.

Patient revenues, differential revenues and other revenue are recognized when the goods are sold or the service is provided.

Investment income is recorded in the statement of operations when earned.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All 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 is adjusted through the statement of remeasurement gains and losses.

2. Significant accounting policies (continued):

(c) Financial instruments (continued):

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

Long-term debt is recorded at cost. The related interest rate swaps are recorded at fair value.

Canadian public sector accounting standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- 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 the assets and liabilities.

The Group uses derivative financial instruments to manage interest rate risk. The only derivative products used are interest rate swaps (see notes 8 and 15 for further details). Derivative instruments are recorded on the statement of financial position as assets or liabilities and are measured at fair value. Derivatives with positive fair value are reported as assets and derivatives with negative fair value are reported as liabilities.

The Group uses hedge interest rate swaps to hedge variability in forecasted cash flows. Changes in the fair value of the swap are included directly in the statement of remeasurement gains and losses.

The periodic exchanges of payments on interest rate swaps designated as hedges of debt are recorded as an adjustment to interest expenses of the hedged item in the same period.

The fair values of over-the-counter derivatives are based on prevailing market rates for instruments with similar characteristics and maturities, net present value analysis, or are determined by using pricing models that incorporate current market and contractual prices of the underlying instruments, time value of money, yield curve and volatility factors. Counterparty credit risk and liquidity valuation adjustments are recorded, as appropriate.

The Group presents investments that are available to fund ongoing operations and settle current liabilities as short-term investments. Investments that relate to building reserves are presented as long-term investments.

(d) Inventories:

Inventories are comprised of pharmaceutical, medical and office supplies and are valued at the lower of cost, determined on a weighted average basis, and net realizable value.

2. Significant accounting policies (continued):

(e) Capital assets:

Purchased capital assets are recorded at cost, which represents fair value, except in circumstances where fair value cannot be reasonable determined, in which case they are recognised at an estimated fair value. Fair value is interpreted to mean the price a market participant would pay for an equivalent infrastructure asset with the same service potential and risk profile.

Assets acquired under capital leases are initially recorded at the present value of future minimum lease payments and amortized over the estimated life of the assets.

When a capital asset no longer contributes to the Group's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis, over the estimated useful service lives, as follows:

Asset	Useful life
Buildings	40 to 50 years
Buildings – capital lease	40 to 50 years
Leasehold improvements	10 to 20 years
Furniture, equipment and software	5 to 10 years
Medical equipment	10 to 15 years
Land improvements	10 to 25 years

Construction-in-progress is amortized in the period that the assets are put into use.

(f) Employee future benefits:

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

The Group provides defined retirement and other future benefits for substantially all retirees and employees. These future benefits include life insurance and health care benefits, retirement gratuity, sick leave and worker's compensation.

The Group accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension, compensated absences and other retirement benefits. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2023, and the next required valuation will be as of March 31, 2026.

2. Significant accounting policies (continued):

(f) Employee future benefits (continued):

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. 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 net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 14 years (2023 - 14 years). The other retirement benefits plan does not have any active members.

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

The costs of multi-employer defined contribution pension plan benefits, such as the Healthcare of Ontario Pension Plan (“HOOPP”), are the employer's contributions due to the plan in the period.

(g) Contributed services:

A large number of volunteers contribute a significant amount of time to the Group each year. Because of the difficulty in determining the fair value of these services, contributed services are not recognized in the financial statements.

(h) Use of estimates:

The preparation of financial statements 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 dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

Significant areas requiring the use of management's estimates include actuarial assumptions with respect to employee future benefits, pay equity accruals, and the accrued liability for the expected impact of salary increases related to the repeal of Bill 124. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period they become known.

2. Significant accounting policies (continued):

(i) Public Private Partnership:

In November 2006 The Group entered into a 20 year, 8 month public private partnership with Ellis Don (formerly The HealthCare Infrastructure Company of Canada Inc.) for the Redevelopment of the Royal Ottawa Mental Health Centre. . The substance of the Redevelopment Project is that the ownership of the land remains with the Group during the project term, though Ellis Don is granted rights of use and access to the site to carry out project work. Ellis Don also bears the performance risk related to the scope of work to design, build, finance, lease and maintain the building.

The Group accounts for the Public-Private Partnership to reflect the terms of the Redevelopment Project in accordance with Canadian PSAS. The Group recognizes infrastructure, or a betterment to infrastructure, as an asset at cost which represents fair value on the date of recognition where it controls:

a) the purpose and use of the infrastructure;

b) access to the future economic benefits and exposure to risks of the infrastructure asset; and

c) significant residual interest in the infrastructure, if any, at the end of the public private partnership's term.

In accordance with the terms of the Redevelopment Project, the Group is required to make certain payments to Ellis Don during the term of the agreement. The Group will be responsible for the payments to Ellis Don in respect of Construction and Related Costs, Financing Costs, and Life Cycle Costs not funded by the Ministry of Health and Long-term Care, as well as the balance of Base Building and Facility Service Costs, Utilities Costs and Insurance Costs not funded by the Ministry.

Where the Group has an obligation to provide consideration to Ellis Don, it recognizes the associated liability of the Public-Private Partnership for the Redevelopment Project for amounts due under the terms of the agreement, and any performance obligations unfulfilled. The Ministry of Health and Long-term Care will deposit the funds on a bi-weekly basis directly into a bank account designated by the Group, and all funds received will be kept in a separate interest-bearing account. Any unused portion of any funds and any interest accrued on any funds remain the property of the Ministry and shall either be paid to the Ministry immediately upon request or used by the Group as the Ministry directs.

3. Implementation of new accounting standard:

The Group has adopted the following new public sector accounting standard in the year.

i) PS 3400 – Revenue:

On April 1, 2023, the Hospital adopted Public Sector Accounting Standard PS 3400 – Revenue. This standard was adopted prospectively from the date of adoption. This new standard provides requirements for the recognition, measurement, presentation, and disclosure of revenue transactions.

The implementation of these standards did not require the Group to reflect any adjustments in these financial statements.

ii) PS3160 – Public private partnerships

On April 1, 2023, the Group adopted Public Sector Accounting Standard PS 3160 – Public private partnerships . This standard was adopted prospectively without prior period restatement from the date of adoption. This new standard provides requirements for the recognition, measurement, presentation, and disclosure of public private partnerships.

The implementation of these standards did not require the Group to reflect any adjustments in these financial statements other than some additional disclosures included in note 2 (i).

4. Investments:

(a) Short-term investments:

	2024 Cost	2024 Carrying and fair value	2023 Cost	2023 Carrying and fair value
Cash, marketable securities and other short term	$ 1,223,110	$ 1,223,110	$ 1,561,716	$ 1,561,716
Government of Canada bonds, 1.60% to 4.25% (2023 - 1.60% to 3.55%) maturing March 2025 to December 2051 (2023 - March 2025 to December 2051)	4,956,931	4,731,278	3,685,525	3,492,559
Provincial bonds, 1.65% to 5.85% (2023 - 1.65% to 5.85%) maturing June 2024 to December 2051 (2023 - June 2023 to December 2051)	19,678,887	18,377,983	15,468,913	14,295,594
Canadian bond funds	9,374,198	8,956,625	7,836,709	7,258,225
Canadian equities	6,853,793	7,726,295	7,040,573	7,688,294
U.S. equities	4,105,833	5,146,641	4,223,540	4,716,367
International equities	3,026,045	3,425,276	2,989,150	3,157,621
	$ 49,218,797	$ 49,587,208	$ 42,806,126	$ 42,170,376

4. Investments (continued):

(b) Restricted investments - building reserves:

	2024 Cost	2024 Carrying and fair value	2023 Cost	2023 Carrying and fair value
Sinking fund trust investments:				
Cash, marketable securities and other short term	$ 64,033	$ 64,033	$ 104,209	$ 104,209
Government of Canada bonds, 1.60% to 4.25% (2023 - 1.60% to 3.55%) maturing March 2025 to December 2051 (2023 - March 2025 to December 2051)	227,527	214,316	261,779	246,749
Provincial bonds, 1.65% to 5.85% (2023 - 1.65% to 5.85%) maturing June 2024 to December 2051 (2023 - June 2023 to December 2051)	930,293	852,500	1,091,228	998,477
Canadian bond funds	438,316	412,044	549,912	505,602
Canadian equities	335,972	389,260	511,605	575,501
US equities	198,272	259,192	280,309	329,470
International equities	164,020	192,159	233,963	252,789
	$ 2,358,433	$ 2,383,504	$ 3,033,005	$ 3,012,797

4. **Investments (continued):**

(b) Restricted investments - building reserves (continued):

	2024 Cost	2024 Carrying and fair value	2023 Cost	2023 Carrying and fair value
Life cycle reserve investments:				
Cash, marketable securities and other short term	$ 194,435	$ 194,435	$ 457,101	$ 457,101
Government of Canada bonds, 1.60% to 2.55% (2023 - 1.60% to 2.55%) maturing March 2025 to December 2031 (2023 - March 2025 to December 2031)	1,179,402	1,117,803	1,337,265	1,255,000
Provincial bonds, 1.65% to 3.75% (2023 - 1.65% to 3.75%) maturing June 2024 to June 2033 (2023 - June 2023 to June 2032)	6,604,332	6,241,590	7,520,221	7,001,062
Canadian corporate bonds, 2.62% to 6.00% (2023 - 2.62% to 6.00%) maturing April 2024 to May 2035 (2023 - April 2024 to May 2035)	2,602,444	2,424,612	3,014,526	2,722,122
	$ 10,580,613	$ 9,978,440	$ 12,329,113	$ 11,435,285
Facility reserve investments:				
Cash	$ 1,563,097	$ 1,563,097	$ 1,056,888	$ 1,056,888
Total building reserves - investments	$ 14,502,143	$ 13,925,041	$ 16,419,006	$ 15,504,970

4. Investments (continued):

(b) Restricted investments - building reserves (continued):

(i) Building reserves - investments:

The market value of the bonds fluctuates with changes in market interest rates. There is no significant concentration of investments in any one issuer or industry sector and the Group invests only in liquid securities.

(ii) Sinking fund trust:

The Group is required to fund a portion of the cost of the Royal Ottawa Mental Health Centre ("ROMHC") Redevelopment Project which will be met through various revenue streams as well as a $15,000,000 capital campaign which was undertaken by the Royal Ottawa Foundation for Mental Health. At March 31, 2024, the balance of the fund was $2,383,504 (2023 - $3,012,797).

(iii) Life cycle reserve:

The ROH Redevelopment Project agreements include a life cycle plan which recognizes that over time various capital parts of the new facility will need to be restored or replaced. The purpose of the account is to pay for certain capital costs regarding the new facility. At March 31, 2024, the balance of the fund was $9,978,440 (2023 - $11,435,285).

(iv) Facility reserve:

The ROH Redevelopment Project agreements include provision for modification to tenant space which recognizes that over time the facility space requirements will change. The purpose of the account is to pay for the Group's special initiatives in the facility. At March 31, 2024, the balance of the fund was $1,563,097 (2023 - $1,056,888).

(c) Fair value:

The Group's investments are classified as Level 1 and Level 2 financial instruments based on the fair value hierarchy.

5. Accounts receivable:

	2024	2023
Accounts receivable	$ 4,815,916	$ 7,873,949
Allowance for doubtful accounts	(212,565)	(848,625)
	$ 4,603,351	$ 7,025,324

6. Related entities:

(a) Royal Ottawa Foundation for Mental Health:

The Group has an economic interest in the Royal Ottawa Foundation for Mental Health (the "Foundation"). The Foundation was established to raise, receive, maintain and manage funds to be distributed towards various programs and capital projects of the Group. The Group has a balance receivable from the Foundation in the amount of $1,703,603 (2023 - $1,196,840) relating to inter-entity charges. The balance is non-interest-bearing, has no fixed terms of repayment and is repayable on demand.

(b) University of Ottawa Institute of Mental Health Research:

The Group has control over the University of Ottawa Institute of Mental Health Research (the “Institute”) as the sole member of the Institute. The Institute carries on and promotes scientific research for the benefit of the general public. The Group has a balance payable to the Institute in the amount of $Nil (2023 - $Nil). The balance is non-interest-bearing, has no fixed terms of repayment and is repayable on demand. The Group also has a balance receivable from the Institute of $669,050 (2023 - $280,725) relating to accrued payroll liabilities.

The Institute’s assets, liabilities, revenue and expenses are as follows for the years ended March 31:

	2024	2023
Assets		
Other assets	$ 14,081,570	$ 13,623,683
Liabilities and Net Assets		
Liabilities:		
Other liabilities	$ 9,736,462	$ 9,684,743
Net assets	4,345,108	3,938,940
	$ 14,081,570	$ 13,623,683

6. Related entities (continued):

(b) University of Ottawa Institute of Mental Health Research (continued):

	2024	2023
Revenue	$ 7,087,183	$ 5,454,379
Expenses	6,929,850	5,099,624
Excess of revenue over expenses	$ 157,333	$ 354,755

(c) Royal Ottawa Volunteer Association:

The Group has an economic interest in the Royal Ottawa Volunteer Association (the "Association"). The Association assists the Group in improving the health, rehabilitation and well-being of patients by providing funding to the Group. The Group has a balance owing to (receivable from) the Association in the amount of $3,698 (2023 - ($1,692)).

(d) Friends of Royal Ottawa Foundation, Inc.

The purpose of the Friends of Royal Ottawa Foundation, Inc., ("Friends") is to further educational, scientific, and charitable purposes pursuant to the provisions of the Delaware General Corporation Law (the "DGCK") and other applicable laws.

The Group has an economic interest in Friends. Friends was established to raise, receive, maintain and manage funds to be distributed towards various programs and capital projects of the Group. There are no amounts owing to or receivable from the Group (2023 - $Nil).

6. Related entities (continued):

(e) Atlas Institute for Veterans and Families:

The Group has control over Atlas Institute for Veterans and Families ("Atlas") through its ability to elect the majority of voting board members. Atlas' objective is to increase the Canadian expertise, knowledge creation and transfer of knowledge on the subject of Canadian military and Veteran mental health. The Group has a balance receivable from Atlas in the amount of $533,654 (2023 - $555,918). The balance is non-interest-bearing, has no fixed terms of repayment and is repayable on demand.

Atlas' assets, liabilities, revenue and expenses are as follows for the years ended March 31:

	2024	2023
Assets		
Total assets	$ 1,608,954	$ 2,085,377
Liabilities and Net Assets		
Liabilities:		
Due to Royal Ottawa Health Care Group	$ 533,654	$ 555,918
Other liabilities	877,576	1,429,302
	1,411,230	1,985,220
Net assets	197,724	100,157
	$ 1,608,954	$ 2,085,377

	2024	2023
Revenue	$ 9,542,986	$ 9,164,221
Expenses	9,445,419	9,096,565
Excess of revenue over expenses	$ 97,567	$ 67,656

7. Capital assets:

	Cost	Accumulated amortization	2024 Net book value	2023 Net book value
Land	$ 786,626	$ –	$ 786,626	$ 786,626
Buildings	26,776,073	10,971,297	15,804,776	16,430,219
Buildings - capital lease	157,750,427	67,213,845	90,536,582	94,420,189
Leasehold Improvements	28,990,379	14,124,512	14,865,867	15,628,089
Furniture, equipment and software	42,684,630	33,275,072	9,409,558	10,161,978
Medical equipment	14,187,603	11,608,939	2,578,664	2,472,429
Land improvements	1,593,391	1,346,225	247,166	306,463
	$ 272,769,129	$ 138,539,890	$ 134,229,239	$ 140,205,993

The capital lease has been recognized at cost which represents fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the asset.

At March 31, 2023, cost and accumulated amortization amounted to $268,914,565 and $128,708,572, respectively.

8. Long-term debt:

		2024		2023
(a) Callable bank loan, unsecured, maturing May 1, 2024. The balance is repayable in monthly installments of $29,259 including principal and interest at the bank's public sector rate plus 0.29%.	$	58,118	$	395,861
Callable bank loan, unsecured, maturing May 1, 2029. The balance is repayable in monthly installments of $26,406 including principal and interest at the bank's public sector rate plus 0.29%.		1,418,794		1,649,174
Total loans		1,476,912		2,045,035
Capital lease obligation related to the Royal Ottawa Hospital Redevelopment Project. The obligation will be amortized over 248 months to June 2027, at an interest rate of 6.33%, with monthly principal and interest payments of $1,163,990.		40,797,441		51,708,733
Fair value of interest rate swaps (note 8(e))		53,604		102,765
		42,327,957		53,856,533
Less:				
Scheduled cash repayments of loans		301,736		568,124
Current portion of capital lease obligation		11,645,921		10,911,292
Callable debt		1,175,176		1,476,911
		13,122,833		12,956,327
	$	29,205,124	$	40,900,206

In subsequent periods, the corresponding liability is reduced in accordance with the foregone revenues recognised in accordance with PS 3400 – Revenue.

8. Long-term debt (continued):

(b) The Group has access to a $500,000 commercial letter of credit. At March 31, 2024, there were no standby letters of credit issued (2023 - $Nil).

(c) The Group has access to a $5,000,000 operating loan at a rate of prime less 0.85% per annum. At March 31, 2024 $Nil (2023 - $Nil) is outstanding.

(d) Canadian public sector accounting standards require that loans that the lender can require to be repaid on demand be classified as current liabilities.

Management does not believe that the demand features of the callable debt will be exercised in the current period. Assuming payment of the callable debt is not demanded; regular principal payments required on all long-term debt for the next five fiscal years and thereafter are due as follows:

	Loans	Capital lease	Total
2025	$ 301,736	$ 11,645,921	$ 11,947,657
2026	257,616	12,430,206	12,687,822
2027	272,419	13,267,511	13,539,930
2028	288,072	3,453,803	3,741,875
2029	304,624	–	304,624
Thereafter	52,445	–	52,445
	$ 1,476,912	$ 40,797,441	$ 42,274,353

(e) 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.

The Group incurred $8,475,667 in construction loans at an interest rate of prime less 0.5% related to the financing of construction of the Royal Ottawa Place, which opened in June 2004. During 2004/05, the Group purchased two interest rate swaps in order to eliminate exposure to interest rate fluctuation on long-term debt. The annualized payments including principal, interest and spread are $667,991.

(i) Notional amounts:

The notional amount of the interest rate swaps at March 31, 2024 is $1,476,912 (2023 - $2,045,035).

8. Long-term debt (continued):

(e) Interest rate derivative agreements (continued):

(ii) Fair value:

The interest rate swaps have unrealized accumulated losses of $53,604 (2023 - $102,765) which are recorded in long-term debt as at March 31, 2024. The fair market value of the loans as at March 31, 2024, excluding the interest rate swaps impact, is $1,476,912 (2023 - $2,045,035) and the fair value of the capital lease obligation is $41,054,307 (2023 - $52,501,027). The current year impact of the change in fair value of the interest rate swap is an increase in accumulated remeasurement gains of $49,161 (2023 - $120,689). The fair value of interest rate swaps is based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

9. Deferred capital asset contributions:

	2024	2023
Balance, beginning of year	$ 68,954,790	$ 61,240,281
Contributions for specified capital projects received during the year	11,437,056	14,645,180
Amount recognized as revenue during the year	(6,685,600)	(6,930,671)
Balance, end of year	$ 73,706,246	$ 68,954,790

10. Investment in capital assets:

The Group has $18,195,036 (2023 - $17,394,670) invested in capital assets, included in the unrestricted fund balance, calculated as follows:

	2024	2023
Capital assets (note 7)	$ 134,229,239	$ 140,205,993
Amounts financed by:		
Long-term debt (note 8)	(42,327,957)	(53,856,533)
Deferred contributions related to capital assets (note 9)	(73,706,246)	(68,954,790)
	$ 18,195,036	$ 17,394,670

11. Statement of cash flows:

(a) Changes in non-cash operating working capital:

	2024	2023
Accounts receivable	$ 2,421,973	$ (3,489,938)
Receivable from Provinces and Territories	2,093,240	(942,987)
Due from related entities	(551,138)	266,561
Due to related entities	–	(168,523)
Inventories	(139,545)	11,012
Prepaid expenses	(298,217)	15,153
Payable to the Province of Ontario	(3,753,192)	7,232,178
Accounts payable and accrued liabilities	534,624	3,568,406
Advance payments for designated projects	(87,234)	(254,264)
Current portion of deferred revenue	242,054	(213,631)
Deferred revenue	6,530,352	395,976
	$ 6,992,917	$ 6,419,943

(b) Supplementary information:

	2024	2023
Interest paid during the year	$ 3,342,705	$ 4,024,398

12. Contracts and other expenses:

	2024	2023
Office supplies and rentals	$ 4,818,928	$ 4,735,236
Staff development and travel	1,472,382	1,126,542
Food, housekeeping and facility services	18,944,227	18,669,193
Data communication and software	3,084,190	3,047,931
Professional fees and services	5,484,336	6,528,688
Other supplies and expenses	11,182,330	9,210,007
	$ 44,986,393	$ 43,317,597

13. Employee future benefits:

(a) The Group has defined benefit plans that provide pension and other post-retirement benefits to most of its employees. The most recent actuarial valuation of employee future benefits for funding purposes was completed as at March 31, 2023 with the accounting valuation based on an extrapolation. The liabilities associated with these plans as at March 31 are as follows:

	2024	2023
Pensions - other (note 13(c))	$ 49,900	$ 54,800
Other employee future benefits (note 13(f))	8,636,000	8,427,600
	$ 8,685,900	$ 8,482,400

(b) Healthcare of Ontario Pension Plan:

Substantially all full time employees of the Group are eligible to be members of the Healthcare of Ontario Pension Plan (the "Plan"). This Plan is a multi-employer, defined benefit pension plan. Employer contributions to the Plan during the year amounted to $9,606,262 (2023 - $8,415,881). These amounts are included in employee benefits expense in the statement of operations.

Pension expense is based on Plan management’s best estimates, in consultation with its actuaries, 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.

(c) Pensions - other:

The Group's accrued benefit obligation under supplementary retirement income programs for certain employees is unfunded. The actuarially determined expense for the year is $400 (2023 - $100), based on an extrapolation of a valuation as at April 1, 2022. Benefits paid during the year amounted to $5,500 (2023 - $5,500).

(d) Other employee future benefits:

The Group provides extended healthcare, dental benefits and nominal life insurance benefits for certain of its retired employees and provides for the vesting of sick leave for those employees with greater than five years of service. These benefits are not funded.

The actuarially determined expense for these other employee future benefits during the year was $1,264,100 (2023 - $1,023,000), based on a valuations as of March 31, 2024. Benefits paid during the year amounted to $1,055,700 (2023 - $623,100).

13. Employee future benefits (continued):

(e) The significant actuarial assumptions adopted in measuring the Group's accrued benefit obligations under other pension plans and employee future benefits are as follows:

	2024	2023
Discount rate for calculation of the pension expense	4.50%	3.70%
Discount rate to determine accrued benefit obligation	4.70%	4.50%
Salary rate increases	3.00%	3.00%
Dental cost increases	5.00%	5.00%
Extended healthcare cost increases	5.60%	5.60%

(f) Information about the Group's employee future benefits other than pension at March 31 is as follows:

	2024	2023
Accrued benefit obligation	$ 9,790,100	$ 9,986,400
Unamortized actuarial losses	(1,154,100)	(1,558,800)
Employee future benefit liability	$ 8,636,000	$ 8,427,600

(g) The employee future benefit liability change is comprised of:

	2024	2023
Current service costs	$ 490,100	$ 501,000
Prior service cost incurred during the period	111,100	–
Interest on accrued benefit obligation	452,700	347,800
Amortization of net experience losses	210,200	174,200
Benefit payments made by the Group	(1,055,700)	(623,100)
	$ 208,400	$ 399,900

14. Commitments, contingencies and guarantees:

(a) In the normal course of operations, the Group provides indemnification agreements with various counterparties in transactions such as service agreements, software licenses, leases, and purchases of goods. Under these agreements, the Group agrees to indemnify the counterparty against loss or liability arising from the acts or omissions of the Group in relation to the agreement. The nature of the indemnification agreements prevents the Group from making a reasonable estimate of the maximum potential amount that the Group would be required to pay such counterparties.

(b) The Group outsourced its hotel and facility services to EllisDon (formerly "THICC") in November 2006. The Group must offer employment to those EllisDon staff currently providing service to the Group, on terms and conditions no less favourable than those they experienced with EllisDon if the employees return to the Group.

(c) Commitments:

The Group has a number of operating leases for computer hardware, software, automobiles, office space and office equipment. Future minimum lease payments for these leases for the next five years and thereafter are as follows:

2025	$ 2,427,576
2026	2,381,697
2027	1,665,437
2028	413,234
2029	268,847
Thereafter	727,422
	$ 7,884,213

(d) The Group is a party to various claims related to its operations. It is not possible to estimate the possible financial liability, if any, to the Group. The majority of claims are covered under the Group's insurance policy. No provision has been made for loss in these financial statements, but in management's opinion, these claims will not have a material adverse effect on its financial position or results of operations.

14. Commitments, contingencies and guarantees (continued):

(e) The Group is a member of the Healthcare Insurance Reciprocal of Canada ("HIROC"), which is a pooling of the liability insurance risks of its members. Members of the pool pay annual premiums that are actuarially determined. HIROC members are subject to reassessment for losses, if any, experienced by the pool for the years in which they are members and these losses could be material. No reassessments have been made to March 31, 2024.

(f) Bill 124:

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 triggered reopener provisions that required renewed negotiations with certain labour groups on compensation for the years that were previously capped by the legislation. The Group has made payments as required for settled contracts, and recorded liabilities based on subsequent settlement amounts and management's estimate of potential settlement amounts.

The Group's past practice is to align wage increases for the Non Union and Management employees with those provided to OPSEU.

In the year, the Ministry of Health provided funding to the Hospital to partially offset the cost of both the retroactive adjustments related to prior years, and the current year impact on salaries and wages. The funding received with respect to the retroactive adjustments is presented within the Ministry of Health of Ontario/ Ministry of LTC revenues on the statement of operations. The Ministry of Health has not confirmed the funding amount to offset additional costs related to the impact of Bill 124.

15. Financial risks and concentration of risk:

The Group is subject to the following risks from its financial instruments.

(a) 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.

The Group monitors market risk by adhering to a Board-approved investment policy.

15. Financial risks and concentration of risk (continued):

(a) Market risk (continued):

(i) Interest rate and other price risks:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As at March 31, 2024, a 1% change to the market interest rate with all other variables held constant would have an estimated effect of $1,999,312 (2023 - $1,752,944) on the value of the bond portfolio.

Financial assets and financial liabilities with variable interest rates expose the Group to cash flow interest rate risk. The Group is exposed to this risk through to its interest bearing investments. The Group's investments, including interest-bearing securities, are disclosed in note 4.

The Group mitigates interest rate risk on its long-term debt through derivative financial instruments (interest rate swaps) that exchange the variable rate inherent in the demand loans and term debt for a fixed rate (see note 8(e)). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the long-term debt.

At March 31, 2024, a 10% movement in the stock markets with all other variables held constant would have an estimated effect on the fair values of the Group's equities of approximately $1,782,161 (2023 - $1,741,490).

(ii) Currency risk:

Foreign currency exposure arises from the Group's holdings of foreign cash balances, equities and bonds. The Group monitors foreign cash balances and adjusts these to meet operating requirements. The Group's exposure to investments denominated in foreign currencies is $9,023,268 (2023 - $8,456,247).

15. Financial risks and concentration of risk (continued):

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Group is exposed to this risk relating to its cash, investments, receivables and due from/to amounts. The Group holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation.

Accounts receivable are ultimately due from the Ministries. The Group's statement of investment policy, which is reviewed annually, defines permitted investments and provides guidelines and restrictions on acceptable investments which minimize credit risk. The Group measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Group's historical experience regarding collections.

An amount of $212,565 (2023 - $848,625) has been provided for an impairment allowance. The maximum exposure to credit risk of the Group at March 31, 2024 is the carrying value of these assets. The maximum exposure to investment credit risk is outlined in note 4.

(c) Liquidity risk:

Liquidity risk is the risk that the Institute will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Group mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. Accounts payable are all current and the terms of the long-term debt are disclosed in note 8. Derivative financial liabilities mature as described in note 8.

These risks have increased in 2024 due to market fluctuations in interest rates, liquidity, and market prices. Aside from the changes in interest and market risk, and the accruals related to Bill 124, there have been no changes from the prior year in the Groups' risk exposures from its financial instruments or the policies, procedures and methods used to manage these risks.