

Financial Statements of

**OTTAWA HEALTH SERVICES
NETWORK INC.**

Year ended March 31, 2009



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AUDITORS' REPORT

To the Board of Directors
Ottawa Health Services Network Inc.

We have audited the statement of financial position of Ottawa Health Services Network Inc. as at March 31, 2009 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Ottawa Health Services Network Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Ottawa Health Services Network Inc. as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that underlines the text.

Chartered Accountants, Licensed Public Accountants

Ottawa, Canada

April 30, 2009

OTTAWA HEALTH SERVICES NETWORK INC.

Statement of Financial Position

March 31, 2009, with comparative figures for 2008

	2009	2008
Assets		
Current assets:		
Cash	\$ 88,097	\$ 296,384
Receivable from Government of Nunavut	509,943	248,639
Prepaid expenses	19,372	19,581
	<u>617,412</u>	<u>564,604</u>
Capital assets (note 4)	5,382	5,664
	<u>\$ 622,794</u>	<u>\$ 570,268</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 107,743	\$ 141,164
Deferred revenue	63,841	9,117
	<u>171,584</u>	<u>150,281</u>
Net assets:		
Unrestricted	66,839	69,918
Invested in capital assets	5,382	5,664
Internally restricted	378,989	344,405
	<u>451,210</u>	<u>419,987</u>
Commitments (note 8)		
	<u>\$ 622,794</u>	<u>\$ 570,268</u>

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

OTTAWA HEALTH SERVICES NETWORK INC.

Statement of Operations

Year ended March 31, 2009, with comparative figures for 2008

	Budget	2009	2008
Revenue:			
Support services - patient	\$ 1,476,354	\$ 1,629,540	\$ 1,289,773
Interest	10,000	7,186	13,100
	<u>1,486,354</u>	<u>1,636,726</u>	<u>1,302,873</u>
Restricted:			
Management fees	110,000	110,000	110,000
	<u>1,596,354</u>	<u>1,746,726</u>	<u>1,412,873</u>
Expenses:			
Direct patient costs:			
Salaries and benefits	550,650	532,029	470,143
Pediatrics	178,121	131,515	169,639
Travel/parking	24,911	28,629	23,725
MD registrations	11,393	13,039	10,850
EEG/Resp. technician	25,000	21,784	17,472
Miscellaneous	5,000	2,195	10,155
MD professional services	463,300	663,512	283,300
	<u>1,258,375</u>	<u>1,392,703</u>	<u>985,284</u>
Administration:			
Office supplies	28,460	12,400	14,241
Insurance	5,469	8,033	5,361
General	8,466	4,071	24
Salaries and benefits	134,386	138,645	129,217
Rent	23,386	23,578	22,927
Telephone and communications	15,690	24,813	14,485
Security - alarm system	-	288	685
Staff development	3,600	6,380	329
Audit and legal services	8,721	13,723	8,550
Computer supplies	8,000	2,885	14,121
Bank charges	75	700	24
Travel - Board of Directors	10,000	6,095	12,574
Amortization of capital assets	4,583	5,773	4,474
Loss on disposal of capital assets	-	-	832
	<u>250,836</u>	<u>247,384</u>	<u>227,844</u>
Restricted:			
Management fees	110,000	63,649	80,802
Education grant	10,000	4,300	3,909
RN scholarship - BScN	-	-	1,462
RN scholarship - MN	5,334	7,467	1,205
ECHO	-	-	38,887
	<u>125,334</u>	<u>75,416</u>	<u>126,265</u>
Total expenses	<u>1,634,545</u>	<u>1,715,503</u>	<u>1,339,393</u>
Excess (deficiency) of revenue over expenses	<u>\$ (38,191)</u>	<u>\$ 31,223</u>	<u>\$ 73,480</u>

See accompanying notes to financial statements.

OTTAWA HEALTH SERVICES NETWORK INC.

Statement of Changes in Net Assets

Year ended March 31, 2009, with comparative figures for 2008

	Unrestricted	Invested in capital assets	Internally restricted	2009	2008
Balance, beginning of year	\$ 69,918	\$ 5,664	\$ 344,405	\$ 419,987	\$ 346,507
Excess (deficiency) of revenue over expenses (note 6)	(3,361)	-	34,584	31,223	73,480
Capital asset additions	(5,491)	5,491	-	-	-
Amortization of capital assets	5,773	(5,773)	-	-	-
Balance, end of year	\$ 66,839	\$ 5,382	\$ 378,989	\$ 451,210	\$ 419,987

See accompanying notes to financial statements.

OTTAWA HEALTH SERVICES NETWORK INC.

Notes to Financial Statements

Year ended March 31, 2009

Ottawa Health Services Network Inc. (the "OHSNI") was incorporated on October 16, 1997 under Part II of the Canada Corporations Act. OHSNI is registered as a not-for-profit organization under the Income Tax Act, Section 149(1)(l), and is not subject to income taxes. The objectives of OHSNI are:

- to manage and assist with the delivery of specialist health care and health education, initially to the Baffin Island region of Nunavut, and subsequently to other regions of Canada, and internationally; and,
- to develop, promote and implement health care and health education programs, using telehealth, telecommunications and other leading-edge technologies

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

(a) Revenue recognition:

OHSNI follows the deferral method of accounting for revenue. Restricted revenue is recognized in the year in which the related expenses are incurred. Unrestricted revenue is recognized as revenue when received or receivable.

(b) Capital assets:

Capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives, as follows:

Asset	Useful life
Computer equipment	3 years

(c) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

OTTAWA HEALTH SERVICES NETWORK INC.

Notes to Financial Statements (continued)

Year ended March 31, 2009

2. Adoption of new accounting standards and future accounting standards:

- (a) Adoption of new accounting standards:

Capital disclosures

Effective April 1, 2008, OHSNI adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, *Capital Disclosures* which establishes standards for disclosing information about an entity's capital and how it is managed. Adoption of these recommendations had no effect on the financial statements for the year ending March 31, 2009, except for the additional note disclosure in note 7.

Financial instruments

In December 2006, the CICA issued new accounting standards: Handbook Section 3862, *Financial Instruments - Disclosures* and Handbook Section 3863, *Financial Instruments - Presentation*. These standards were expected to be effective for the OHSNI's financial statements for the year ended March 31, 2009. However, in December 2008, the CICA eliminated the requirement for not-for-profit entities to adopt these standards. OHSNI has continued to disclose and present financial instruments under Handbook Section 3861, *Financial Instruments – Disclosure and Presentation* for the year ended March 31, 2009.

- (b) Future accounting changes:

The CICA has issued the following new accounting standards that will come into effect for OHSNI's fiscal year beginning April 1, 2009:

Amendments to Accounting Standards that Apply Only to Not-For-Profit Organizations

In September 2008, the CICA issued amendments to the existing accounting standards applicable to not-for-profit organizations. The amendments affect the financial statement presentation and disclosure requirements for not-for-profit organizations.

OTTAWA HEALTH SERVICES NETWORK INC.

Notes to Financial Statements (continued)

Year ended March 31, 2009

2. Adoption of new accounting standards and future accounting standards (continued):

(b) Future accounting changes (continued):

Disclosure of Allocated Expenses by Not-for-Profit Organizations

In September 2008, the CICA issued Section 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organizations*. This new section establishes disclosure requirements for not-for-profit organizations that report expenses by function and allocate expenses to a number of functions to which the expenses relate. These not-for-profit organizations will be required to disclose additional information regarding their accounting policies adopted for the allocation of expenses among functions, the nature of these expenses, the basis on which the allocations are being made, and the value of the allocations.

OHSNI is currently assessing the impact of these amendments and new accounting standard on its financial statements.

3. Agreement with the Government of Nunavut:

An agreement was signed with the Government of Nunavut in January 2006 whereby OHSNI will manage the provision of health and medical specialty services to the Baffin region until March 31, 2011.

4. Capital assets:

	2009		2008	
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 18,913	\$ 13,531	\$ 5,382	\$ 5,664

Cost and accumulated amortization at March 31, 2008 amounted to \$13,422 and \$7,758 respectively.

OTTAWA HEALTH SERVICES NETWORK INC.

Notes to Financial Statements (continued)

Year ended March 31, 2009

5. Financial instruments:

(a) Credit risk:

OHSNI provides credit to the Government of Nunavut in the normal course of business. OHSNI performs an ongoing credit evaluation of its customer and maintains a reserve for potential credit losses which, to date, have been within the range of management's expectations. OHSNI is exposed to credit risk in the event of non-performance by the Government of Nunavut.

(b) Fair values:

The carrying value of cash, receivable from Government of Nunavut and accounts payable and accrued liabilities approximates their fair value because of the relatively short period to maturity of the instruments.

6. Excess of revenue over expenses:

Excess of revenue over expenses has been segregated as follows, to comply with internal restrictions over funding received:

	2009	2008
Management fee received from the Government of Nunavut	\$ 110,000	\$ 110,000
Management fee paid during the year	(63,649)	(80,802)
Funding restricted for RN scholarship	(7,467)	(2,667)
Funding restricted for ECHO Machine	-	(38,887)
Funding restricted for Educational grant	(4,300)	(3,909)
Transfer of funds	-	66,000
Excess of revenue over expenses - internally restricted net assets	34,584	49,735
Excess (deficiency) of revenue over expenses - unrestricted net assets	(3,361)	23,745
Excess of revenue over expenses	\$ 31,223	\$ 73,480

OTTAWA HEALTH SERVICES NETWORK INC.

Notes to Financial Statements (continued)

Year ended March 31, 2009

7. Capital disclosures:

OHSNI defines capital as unrestricted net assets and net assets invested in capital assets. The objective of OHSNI with respect to net assets invested in capital assets is to fund the acquisition of capital assets required for operational purposes. The objective of OHSNI with respect to unrestricted net assets is to fund ongoing operations and future projects.

OHSNI is not subject to externally imposed capital requirements and its overall strategy with respect to capital remains unchanged from the year ended March 31, 2008.

8. Commitments:

OHSNI is committed to payments under operating leases for premises through 2011 as follows:

2010	\$	24,230
2011		10,200
	\$	34,430

9. Statement of cash flows:

A statement of cash flows has not been presented as it would not provide additional meaningful information.

10. Comparative figures:

Certain 2008 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2009.