

Financial Statements of

**NORTH BAY REGIONAL
HEALTH CENTRE**

Years ended March 31, 2013 and March 31, 2012



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INDEPENDENT AUDITORS' REPORT

To the Directors of North Bay Regional Health Centre

We have audited the accompanying financial statements of **North Bay Regional Health Centre**, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in deficiency in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and notes, comprising 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, 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.

Auditors' 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 our 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, we consider 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.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of North Bay Regional Health Centre, as at March 31, 2013, March 31, 2012 and April 1, 2011, and its results of operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

Chartered Accountants, Licensed Public Accountants

June 14, 2013
North Bay, Canada

NORTH BAY REGIONAL HEALTH CENTRE

Statements of Operations

Years ended March 31, 2013 and 2012
(In thousands of dollars)

| | 2013 | 2012 |
|---|-------------------|------------------------|
| | | (restated - note 2) |
| Revenue: | | |
| Ministry of Health and Long-Term Care / North East Local Health Integration Network | \$ 207,744 | 196,052 |
| Patient services | 11,411 | 10,844 |
| Preferred accommodation | 2,135 | 1,952 |
| Other | 7,945 | 6,836 |
| Uniquely funded programs (note 18) | 25,990 | 24,152 |
| Amortization of deferred capital contributions - equipment | 7,682 | 7,026 |
| | <u>262,907</u> | <u>246,862</u> |
| Expenses: | | |
| Salaries and wages | 126,787 | 124,328 |
| Benefits contributions | 33,691 | 32,197 |
| Medical staff remuneration | 12,576 | 11,769 |
| Drugs | 6,127 | 5,536 |
| Medical and surgical supplies | 8,736 | 8,547 |
| Amortization - equipment | 8,210 | 7,642 |
| Other supplies and services | 40,245 | 35,114 |
| Uniquely funded programs (note 18) | 25,990 | 24,152 |
| | <u>262,362</u> | <u>249,285</u> |
| Excess (deficiency) of revenue over expenses before undernoted items | 545 | (2,423) |
| Amortization of deferred contributions - buildings | 10,282 | 10,309 |
| Amortization of buildings | (10,952) | (10,913) |
| Government contribution for interest on other long-term obligations | 20,881 | 21,245 |
| Interest on long-term obligations | (22,493) | (22,885) |
| Government transition funding | - | 2,599 |
| Transition costs | - | (3,077) |
| Deficiency of revenue over expenses | \$ (1,737) | (5,145) |

See accompanying notes to financial statements.

NORTH BAY REGIONAL HEALTH CENTRE

Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011
(In thousands of dollars)

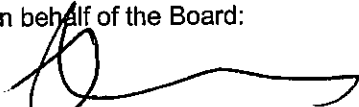
| | March 31, 2013 | March 31, 2012 (restated - note 2) | April 1, 2011 (restated - note 2) |
|---|-------------------|---|--|
| Assets | | | |
| Current assets: | | | |
| Cash and short-term investments | \$ 1,496 | 1,766 | 28,212 |
| Marketable securities (note 3) | 3,964 | 11,456 | 22,291 |
| Accounts receivable (note 4) | 10,833 | 6,653 | 16,895 |
| Inventories | 2,498 | 2,398 | 2,386 |
| Prepaid expenses | 3,453 | 2,508 | 1,600 |
| Current portion of long-term receivables (note 6) | 1,533 | 1,667 | 1,604 |
| | 23,777 | 26,448 | 72,988 |
| Capital assets (note 5) | 541,793 | 556,762 | 568,465 |
| Capital assets held for sale | — | — | 824 |
| Long-term receivables (note 6) | 12,940 | 13,951 | 14,894 |
| | \$ 578,510 | 597,161 | 657,171 |

Liabilities and Deficiency in Net Assets

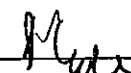
| | | | |
|--|------------|----------|----------|
| Current liabilities: | | | |
| Bank indebtedness (note 7) | 4,543 | 5,844 | 20,729 |
| Accounts payable and accrued liabilities (note 8) | 34,737 | 36,014 | 37,366 |
| Deferred contributions (note 9) | 53,058 | 51,952 | 52,537 |
| Current portion of long-term obligations (note 10) | 7,274 | 6,909 | 6,317 |
| | 99,612 | 100,719 | 116,949 |
| Long-term obligations (note 10) | 397,139 | 403,957 | 409,557 |
| Deferred capital contributions (note 11) | 111,092 | 120,388 | 154,138 |
| Post-employment benefit obligation (note 12) | 13,420 | 13,113 | 12,398 |
| Total liabilities | 621,263 | 638,177 | 693,042 |
| Deficiency in net assets | (42,753) | (41,016) | (35,871) |
| Commitments and contingencies (note 15) | | | |
| | \$ 578,510 | 597,161 | 657,171 |

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

NORTH BAY REGIONAL HEALTH CENTRE

Statement of Changes in Deficiency in Net Assets

Years ended March 31, 2013 and 2012
(In thousands of dollars)

| | 2013 | 2012 (restated - note 2) |
|--|--------------------|--------------------------------|
| Deficiency in net assets, beginning of year | \$ (41,016) | (35,871) |
| Deficiency of revenue over expenses | (1,737) | (5,145) |
| Deficiency in net assets, end of year | \$ (42,753) | (41,016) |

See accompanying notes to financial statements.

NORTH BAY REGIONAL HEALTH CENTRE

Statements of Cash Flows

Years ended March 31, 2013 and 2012
(In thousands of dollars)

| | 2013 | 2012 (restated - note 2) |
|---|-----------------|--------------------------------|
| Cash flows from operating activities: | | |
| Deficiency of revenue over expenses | \$ (1,737) | (5,145) |
| Items not involving cash: | | |
| Amortization of capital assets | 19,162 | 18,555 |
| Amortization of deferred capital contributions | (17,964) | (17,335) |
| Loss (gain) on disposal of capital assets | (42) | 9 |
| | <u>(581)</u> | <u>(3,916)</u> |
| Change in non-cash working capital balances: | | |
| Accounts receivable | (4,180) | 10,242 |
| Inventories | (100) | (12) |
| Prepaid expenses | (945) | (908) |
| Accounts payable and accrued liabilities | (1,277) | (1,352) |
| Deferred contributions | 1,106 | (24,219) |
| | <u>(5,977)</u> | <u>(20,165)</u> |
| Cash flows from investing activities: | | |
| Purchase of capital assets | (4,197) | (7,097) |
| Assets held for sale | - | 824 |
| Proceeds from disposal of capital assets | 46 | 236 |
| Decrease in long-term receivables | 1,145 | 880 |
| Proceeds from disposal of marketable securities | 7,492 | 10,835 |
| | <u>4,486</u> | <u>5,678</u> |
| Cash flows from financing activities: | | |
| Deferred capital contributions received | 8,668 | 7,219 |
| Increase in long-term obligations | - | 1,211 |
| Principal repayment of long-term obligations | (6,453) | (6,219) |
| Decrease in bank indebtedness | (1,301) | (14,885) |
| Increase in post-employment benefit obligation | 307 | 715 |
| | <u>1,221</u> | <u>(11,959)</u> |
| Net decrease in cash | <u>(270)</u> | <u>(26,446)</u> |
| Cash and short-term investments, beginning of year | 1,766 | 28,212 |
| Cash and short-term investments, end of year | <u>\$ 1,496</u> | <u>1,766</u> |

See accompanying notes to financial statements.

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements

Years ended March 31, 2013 and 2012

(In thousands of dollars)

The North Bay Regional Health Centre (the "Health Centre") is incorporated without share capital under the laws of Ontario. Its principal activity is the provision of health care services in the District of Nipissing, Ontario and mental health services in Northeastern Ontario. The Health Centre is a registered charity under the Income Tax Act and accordingly is exempt from income taxes under section 149 of the Income tax Act.

On April 1, 2012, the Health Centre adopted Canadian public sector accounting standards. The Health Centre has also elected to apply the 4200 standards for government not-for-profit organizations. These are the first financial statements prepared in accordance with these public sector accounting standards.

In accordance with the transitional provisions in Canadian public sector accounting standards, the Health Centre has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying public sector accounting standards.

A summary of transitional adjustments recorded to net assets and deficiency of revenue over expenses is provided in note 2.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

(a) Revenue recognition:

The Health Centre accounts for contributions, which include donations and government grants, under the deferral method of accounting.

Under the Health Insurance Act and Regulations thereto, the Health Centre is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-term Care (the "Ministry") and the North East Local Health Integration Network ("NELHIN"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

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

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the straight-line basis, at rates corresponding to those of the related capital assets.

Revenue from patient and other services is recognized when the service is provided.

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements

Years ended March 31, 2013 and 2012

(In thousands of dollars)

1. Significant accounting policies (continued):

(b) Inventories:

Inventories are stated at the lower of average cost and net realizable value. Cost comprises all costs to purchase, convert and any other costs in bringing the inventories to their present location and condition.

(c) Property, plant and equipment:

Property, plant and equipment are recorded at cost. Assets acquired under capital leases are initially recorded at the present value of the future minimum lease payments and amortized over the useful life of the assets. Minor equipment replacements are expensed in the year of replacement.

Construction in progress is not amortized until construction is complete and the facilities come into use.

Amortization is provided on the straight-line basis at the following range of annual rates:

| | |
|---|----------------------|
| Buildings, roads, sidewalks and landscaping | Various rates to 10% |
| Leasehold improvements | Various rates to 20% |
| Furniture and equipment | Various rates to 33% |
| Equipment under capital leases | 30% |

Long-lived assets, including capital assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Health Centre uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer amortized. The asset and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the statement of financial position.

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements

Years ended March 31, 2013 and 2012
(In thousands of dollars)

1. Significant accounting policies (continued):

(d) Related entities:

The notes to financial statements include information for the following entities (note 14):

North Bay Regional Health Centre Foundation ("NBRHC Foundation")

(e) Employee post-retirement benefits:

The Health Centre accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care costs.

Actuarial gains (losses) on the accrued benefit obligation arise from changes in 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 employee benefit plan is 13 years.

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

The Health Centre is an employer member of the Health Care of Ontario Pension Plan (the "Plan"), which is a multi-employer, defined benefit pension plan. The Health Centre has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Health Centre records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

(f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods specified. Significant items subject to such estimates and assumptions include the carrying amount of capital assets; valuation allowances for receivables, and inventories; valuation of financial instruments; and assets and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements

Years ended March 31, 2013 and 2012
(In thousands of dollars)

1. Significant accounting policies (continued):

(g) Funding adjustments:

The Health Centre receives grants from the NELHIN and MOHLTC for specific services. Pursuant to the related agreements, if the Health Centre does not meet specified levels of activity, the MOHLTC or NELHIN may be entitled to seek recoveries. Should any amounts become recoverable, the recoveries would be charged to operations in the period in which the recovery is determined to be payable. Should programs and activities incur a deficit, the Health Centre records any recoveries thereon when additional funding is received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

(h) Contributed services:

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

(i) Financial instruments:

All financial instruments are initially recorded on the statement of financial position at fair value.

All investments, if any, held in equity instruments that trade in an active market are recorded at fair value. Management has elected to record investments at fair value as they are managed and evaluated on a fair value basis. Freestanding derivative instruments that are not equity instruments that are quoted in an active market are subsequently measured at fair value.

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 financial assets are assessed for impairment on an annual basis. Where a decline in fair value is determined to be other than temporary, the amount of the loss is recognized in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses. On sale, the statement of remeasurement gains and losses associated with that instrument are reversed and recognized in the statement of operations.

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements

Years ended March 31, 2013 and 2012
(In thousands of dollars)

2. Restatement of prior period:

(a) Deficiency in net assets:

The following table summarizes the impact of the transition to Canadian public sector accounting standards and the correction of an accounting error relating to the restricted funds on the Health Centre's net assets as of April 1, 2011:

| Deficiency in net assets: | |
|--|--------------------|
| As previously reported under Canadian generally accepted accounting principles, March 31, 2011 | \$ (3,718) |
| Impact of transition to public sector accounting standards | (6,176) |
| Impact of change in accounting for restricted funds | (25,977) |
| Restated, April 1, 2011 | \$ (35,871) |

The impact of the transition to public sector accounting standards is comprised of three components.

(i) Transitional provisions

In accordance with transitional provisions of the public sector accounting standards, the Health Centre has elected to recognize actuarial gains and losses at the date of transition to public sector accounting standards directly in net assets. As a result, the Health Centre has recognized an increased liability and a charge to net assets.

(ii) Past service costs

Public sector accounting standards require past service costs arising from plan amendments to be recognized immediately in the period the plan amendments occur. As a result, the Health Centre has recognized an increased liability and a charge to net assets for unamortized past service costs at the transition to public sector accounting standards.

(iii) Discount rate used to calculate employee post-retirement benefits

Public sector accounting standards require these liabilities to be calculated with a discount rate that is equal to either the Health Centre's rate of borrowing or the rate of return on the plan assets. Prior to transition to these new standards, the discount rate was to be equal to the yield on high quality corporate bonds. Under the public sector accounting standards, the Health Centre has adopted a discount rate that is indicative of its long-term cost of borrowing. The change in the discount rate resulted in changes to the related liability and a corresponding adjustment to net assets at the transition to public sector accounting standards.

Additional information concerning employee post-retirement benefits is presented in note 12.

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements

Years ended March 31, 2013 and 2012

(In thousands of dollars)

2. Restatement of prior period (continued):

(a) Deficiency in net assets (continued):

The Health Centre has also adjusted its previously reported deficiency in net assets to adjust for externally restricted funds held by the former Northeast Mental Health Centre ("NEMHC"). These funds were previously included as part of the Health Centre's deficiency in net assets but have been reclassified to deferred contributions on the basis that their use is subject to conditions by the Ministry. As a result of this adjustment, the Health Centre has recognized an increase in its deficiency in net assets, with a corresponding increase in deferred contributions. These externally restricted funds will be recognized as revenue as the Health Centre incurs eligible costs.

(b) Statement of Operations:

As a result of the retrospective application of public sector accounting standards and the correction of accounting errors relating to restricted funds and an obligation for payroll-related accruals, the Health Centre recorded the following adjustments to deficiency of revenue over expenses for the year ended March 31, 2012, with a corresponding change to liabilities:

Deficiency of revenue over expenses:

| | |
|--|-------------------|
| As previously reported under Canadian generally accepted accounting principles for year ended March 31, 2012 | \$ (7,546) |
| Impact of transition to public sector accounting standards | 634 |
| Impact of change in accounting for restricted funds, representing deferred contributions recognized as revenue during the year | 1,967 |
| Impact of correction of an accounting error for payroll-related accruals | (200) |
| Restated for the year ended March 31, 2012 | \$ (5,145) |

3. Marketable securities:

Marketable securities consist of cashable fixed-term guaranteed income certificates with interest rates ranging from 1.45% to 2.35% and maturities ranging from June 2013 to June 2015. The fair market value of the marketable securities is equal to their cost.

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements

Years ended March 31, 2013 and 2012
(In thousands of dollars)

4. Accounts receivable:

| | March 31, 2013 | March 31 2012 | April 1, 2011 |
|-----------------------|-------------------|------------------|------------------|
| MOHLTC/NELHIN | \$ 4,144 | 822 | 10,867 |
| Insurers and patients | 4,319 | 4,048 | 2,677 |
| Other | 2,370 | 1,783 | 3,351 |
| | \$ 10,833 | 6,653 | 16,895 |

The reported balance of accounts receivable are net of an allowance for doubtful accounts of \$5,679 (2012 - \$70, 2011 - \$70).

5. Capital assets:

| March 31, 2013 | Cost | Accumulated Amortization | Net book Value |
|---|------------|-----------------------------|-------------------|
| Land | \$ 1,226 | – | 1,226 |
| Buildings, roads, sidewalks and landscaping | 524,681 | 30,329 | 494,352 |
| Leasehold improvements | 2,059 | 517 | 1,542 |
| Furniture and equipment | 92,834 | 48,239 | 44,595 |
| Equipment under capital leases | 514 | 436 | 78 |
| | \$ 621,314 | 79,521 | 541,793 |

| March 31, 2012 | Cost | Accumulated Amortization | Net book Value |
|---|------------|-----------------------------|-------------------|
| Land | \$ 1,226 | – | 1,226 |
| Buildings, roads, sidewalks and landscaping | 524,535 | 19,611 | 504,924 |
| Leasehold improvements | 2,059 | 280 | 1,779 |
| Furniture and equipment | 93,012 | 44,402 | 48,610 |
| Equipment under capital leases | 514 | 291 | 223 |
| | \$ 621,346 | 64,584 | 556,762 |

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements

Years ended March 31, 2013 and 2012
(In thousands of dollars)

6. Long-term receivables:

| | March 31, 2013 | March 31, 2012 | April 1, 2011 |
|--|-------------------|-------------------|------------------|
| Municipal contributions (i) | \$ 11,146 | 12,273 | 13,448 |
| Recruitment loans: | | | |
| Acute care physicians (ii) | 2,923 | 2,874 | 2,371 |
| Psychiatrists (iii) | 404 | 471 | 679 |
| | 14,473 | 15,618 | 16,498 |
| Current portion of long-term receivables | 1,533 | 1,667 | 1,604 |
| | \$ 12,940 | 13,951 | 14,894 |

- (i) Municipal contributions receivable are recorded at their net present value using the effective interest rate method and a discount rate of 4.75%.
- (ii) Recruitment loans for acute care physicians are non-interest bearing and partially forgivable provided certain contractual conditions are met by the recipient physician.
- (iii) Recruitment loans for psychiatrists are non-interest bearing and fully forgivable provided certain contractual conditions are met by the recipient physician.
- (iv) The reported balance of long-term receivable are net of an allowance for doubtful accounts of \$838 (2012 - \$904, 2011 - \$895).

7. Bank indebtedness:

Bank indebtedness consists of draws on an unsecured line of credit of \$35,000 (2012 - \$35,000). The credit facility bears interest at the bank's prime lending rate less .50%.

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements

Years ended March 31, 2013 and 2012
(In thousands of dollars)

8. Accounts payable and accrued liabilities:

| | March 31, 2013 | March 31 2012 | April 1, 2011 |
|---|-------------------|------------------------|------------------------|
| | | (restated - note 2) | (restated - note 2) |
| Accounts payable and accrued liabilities: | | | |
| - NELHIN/MOHLTC | \$ 3,056 | 2,683 | 1,721 |
| - Other funding agencies | 331 | 895 | 859 |
| - Trade payables | 13,755 | 15,193 | 17,791 |
| - Capital project payables | - | 236 | 1,766 |
| Payroll accruals: | | | |
| - salaries and wages | 7,301 | 5,661 | 5,111 |
| - employee deductions payable | 3,582 | 4,638 | 3,624 |
| - vacation pay and other entitlements | 6,712 | 6,708 | 6,494 |
| | \$ 34,737 | 36,014 | 37,366 |

9. Deferred contributions:

Deferred contributions represent unspent funding externally restricted for specific programs received in the current and/or prior period that are related to a subsequent period.

| | March 31, 2013 | March 31 2012 | April 1, 2011 |
|---|-------------------|------------------------|------------------------|
| | | (restated - note 2) | (restated - note 2) |
| Provincial funding for long-term obligation | \$ 30,213 | 21,288 | 16,304 |
| Protected mental health envelope | 19,847 | 24,010 | 25,977 |
| Other programs | 2,998 | 6,654 | 10,256 |
| | \$ 53,058 | 51,952 | 52,537 |

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements

Years ended March 31, 2013 and 2012
(In thousands of dollars)

10. Long-term obligations

| | March 31, 2013 | March 31 2012 | April 1, 2011 |
|--|-------------------|------------------|------------------|
| Long-term obligation, unsecured, payable in monthly installments of \$2,389, bearing interest at 5.55%, final installment due June 2040 | \$ 402,021 | 408,201 | 413,903 |
| Available \$3 million credit facility, unsecured, principal repayable on each draw in equal annual installments over a period of six years, bearing interest at bank prime lending rate interest | 2,319 | 2,448 | 1,750 |
| Obligations under capital lease | 73 | 217 | 221 |
| | 404,413 | 410,866 | 415,874 |
| Current portion of long-term obligations | 7,274 | 6,909 | 6,317 |
| | \$ 397,139 | 403,957 | 409,557 |

Scheduled principal repayments in each of the next five years and thereafter are as follows:

| | |
|---------------------|------------|
| 2014 | \$ 7,274 |
| 2015 | 7,454 |
| 2016 | 7,763 |
| 2017 | 8,098 |
| 2018 | 8,406 |
| 2019 and thereafter | 365,418 |
| | \$ 404,413 |

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements

Years ended March 31, 2013 and 2012
(In thousands of dollars)

11. Deferred capital contributions:

Deferred capital contributions represent the unamortized and unspent balances of donations and grants restricted for capital asset acquisitions. Details of the continuity of these funds are as follows:

| | March 31, 2013 | March 31 2012 | April 1, 2011 |
|---|-------------------|------------------|------------------|
| Balance, beginning of year | \$ 120,388 | 154,138 | 153,271 |
| Contributions received during the year | 8,668 | 7,218 | 20,792 |
| Less: amounts amortized to revenue | (17,964) | (17,335) | (6,685) |
| Less: amounts transferred to deferred contributions | – | (23,633) | (13,240) |
| Balance, end of year | \$ 111,092 | 120,388 | 154,138 |

12. Post-employment benefit obligation:

The Health Centre sponsors a post-retirement defined benefit plan for medical, life insurance and dental benefits for employees with various cost-sharing arrangements as determined by their collective agreements and conditions of employment. The most recent valuation of the employee future benefits was completed as at March 31, 2012. The valuation was updated as of April 1, 2010. The next full valuation of the plan will be as of April 1, 2015.

The accrued benefit obligation is recorded in the financial statements as follows:

| | 2013 | 2012 (restated - note 2) |
|-----------------------------|-----------|--------------------------------|
| Balance, beginning of year | \$ 13,113 | 12,398 |
| Add: Benefit costs | 1,005 | 1,413 |
| | 14,118 | 13,811 |
| Less: Benefit contributions | (698) | (698) |
| Balance, end of year | \$ 13,420 | 13,113 |

Similar to most post-employment benefit plans (other than pension) in Canada, the Health Centre's plan is not pre-funded, resulting in plan deficit equal to the accrued benefit obligation.

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements

Years ended March 31, 2013 and 2012

(In thousands of dollars)

12. Post-employment benefit obligation (continued):

The significant actuarial assumptions adopted in measuring the Health Centre's accrued benefit obligations are as follows:

| | 2013 | 2012 |
|----------------------------------|-------|------------------------|
| | | (restated - note 2) |
| Discount rate | 5.54% | 5.45% |
| Dental cost trend rates | 4.00% | 4.00% |
| Extended health care trend rates | 5.00% | 5.00% |

13. Pension plan:

The majority of full-time and part-time employees of the Health Centre are eligible to be members of the Health Care of Ontario Pension Plan (the "Plan") which is a multi-employer defined benefit plan. Contributions to the Plan made during the year on behalf of employees amounted to \$10,775 (2012 - \$10,410).

14. Related entity:

The Health Centre has an economic interest in the NBRHC Foundation. The NBRHC Foundation was incorporated by Letters Patent under the Ontario Corporations Act on September 30, 1999 as a not-for-profit organization and is a registered charity under the Income Tax Act. Its primary goal is to provide ongoing resources for patient-focused care, education and research.

During the current year, the Health Centre received total contributions of \$1,893 from the NBRHC Foundation (2012 - \$1,146).

15. Commitments and contingencies:

(a) Lifecycle and maintenance costs

In February 2007, the former North Bay General Hospital ("NBGH") signed an agreement with Plenary Health North Bay GP ("Plenary") to build, maintain and finance the NBRHC facility. Plenary commenced facility construction in March 2007 with substantial completion in June 2010.

Upon completion of construction, annual payments of approximately \$6.8 million for lifecycle and facility maintenance costs commenced for a period of 30 years, with the final payment due in May 2041. A portion of the payment is subject to indexing for increases in cost of living, labour, insurance and energy and utilities.

The MOHLTC has approved an annual grant to fund the lifecycle component of these payments and negotiations are ongoing for a long-term funding arrangement for the MOHLTC's share of the facility maintenance costs, with the expectation being that this funding will be incorporated into the Health Centre's operating grants.

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements

Years ended March 31, 2013 and 2012
(In thousands of dollars)

15. Commitments and contingencies (continued)

(b) HealthCare Insurance Reciprocal of Canada:

The Health Centre is a member of the HealthCare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the liability insurance risk of its members. All members pay annual deposit premiums which are actuarially determined and are subject to further assessment for losses, if any, experienced by the pool for the years in which they are members. As at March 31, 2013, no assessments have been received by the Health Centre.

(c) Legal matters and litigation:

The Health Centre is involved in certain legal matters and litigation, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved. With the exception of specific matters noted below, management is of the opinion that these matters are mitigated by adequate insurance coverage.

Prior to the current year, the NBGH was named as a co-defendant in a statement of claim. The action is claiming damages that are in excess of the insurance coverage that the NBGH held at the time of the incident. It is the Health Centre's position and that of its legal counsel that the likelihood of loss, if any, is not determinable at this time and the Health Centre has not recorded a liability for any amount relating to this claim. Damages and legal costs, if any, relating to this matter would be recognized in the year they become determinable.

Prior to the current year the NBGH was named as a co-defendant in a statement of claim where the date of occurrence was prior to the current insurance policy period. There is a dispute between the previous and current insurers as to which policy coverage extends to this claim. It is the Health Centre's position and that of its legal counsel that the likelihood of loss that is not covered by insurance, if any, is not determinable at this time and the Health Centre has not recorded a liability for any amount relating to this claim. Damages and legal costs, if any, relating to this matter would be recognized in the year they become determinable.

(d) Employment matters:

During the normal course of business, the Health Centre is involved in certain employment related negotiations and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable. Where amounts are not reasonably determinable, costs, if any, relating to these matter would be recognized when known.

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements

Years ended March 31, 2013 and 2012
(In thousands of dollars)

16. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Health Centre is exposed to credit risk with respect to accounts receivable and other investments.

The Health Centre assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Health Centre at March 31, 2013 is the carrying value of these assets.

Management considers credit risk to be minimal as most of the accounts receivable balance is collected in a timely fashion.

There have been no significant changes to the credit risk exposure from 2012.

(b) Liquidity risk:

Liquidity risk is the risk that the Health Centre will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Health Centre manages its liquidity risk by monitoring its operating requirements. The Health Centre prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2012.

17. Financial instruments:

On April 1, 2012, the Health Centre adopted Public Accounting Standards *PS 3450 – Financial Instruments* and *PS 2601 – Foreign Currency Translation*. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3450, all financial instruments are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the Health Centre's accounting policy choices (see note 1 - Significant Accounting Policies).

The adoption of these standards did not have a significant effect on the Health Centre's financial statements for the year ended March 31, 2013.

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements

Years ended March 31, 2013 and 2012

(In thousands of dollars)

18. Uniquely funded programs:

The Health Centre administers a number of programs which are separately funded. The revenues and expenses related to these programs are recorded separately from the base funding operations of the Health Centre and any excess or deficiency of revenue over expenses is settled with the funding agencies on an annual basis.

(a) MOHLTC/NELHIN funded programs:

| | 2013 | 2012 |
|---|---------------|--------------|
| Revenues: | | |
| Community mental health | \$ 5,814 | 5,244 |
| Substance abuse | 2,608 | 2,631 |
| Central ambulance communication centre | 2,154 | 1,949 |
| | <u>10,576</u> | <u>9,824</u> |
| Expenses: | | |
| Community mental health | 5,814 | 5,244 |
| Substance abuse | 2,608 | 2,631 |
| Central ambulance communication centre | 2,154 | 1,949 |
| | <u>10,576</u> | <u>9,824</u> |
| Excess of revenues over expenses | \$ - | - |

(b) Other government funded programs:

| | 2013 | 2012 |
|---|---------------|---------------|
| Revenues: | | |
| Land ambulance service | \$ 5,751 | 5,497 |
| Regional children's psychiatric centre | 3,161 | 2,949 |
| Grants assistance | 3,815 | 2,944 |
| Wordplay | 1,580 | 1,562 |
| Diabetes centre – Nipissing District | 486 | 704 |
| Client information management system | 621 | 672 |
| | <u>15,414</u> | <u>14,328</u> |
| Expenses: | | |
| Land ambulance service | 5,751 | 5,497 |
| Regional children's psychiatric centre | 3,161 | 2,949 |
| Grants assistance | 3,815 | 2,944 |
| Wordplay | 1,580 | 1,562 |
| Diabetes centre – Nipissing District | 486 | 704 |
| Client information management system | 621 | 672 |
| | <u>15,414</u> | <u>14,328</u> |
| Excess of revenues over expenses | \$ - | - |

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements

Years ended March 31, 2013 and 2012
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19. Comparative figures:

Certain comparative figures have been reclassified to conform with the presentation adopted in 2013.