

**North Bay General Hospital**  
**Financial Statements**  
**For the year ended March 31, 2011**

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Financial Statements  
For the year ended March 31, 2011**

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## Independent Auditor's Report

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### To the Members of North Bay General Hospital

We have audited the accompanying financial statements of North Bay General Hospital, which comprise the statement of financial position as at March 31, 2011, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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 General Hospital as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*BDO Canada LLP*

Chartered Accountants, Licensed Public Accountants

North Bay, Ontario  
June 9, 2011

## North Bay General Hospital Statement of Financial Position

**March 31** **2011** **2010**

### Assets

#### Current

Cash and cash equivalents	\$ 954,260	\$ -
Investments (Note 3)	15,461,995	3,931,670
Accounts receivable (Note 2)	20,758,591	10,021,936
Inventories	2,383,197	2,264,440
Prepaid expenses	1,552,461	1,302,508
Assets held for sale (Note 16)	824,112	-
	41,934,616	17,520,554
Long-term receivables (Note 6)	14,214,251	14,550,316
Restricted cash and investments (Note 3)	-	56,176,448
Capital assets (Note 4)	408,841,828	305,764,032
	\$ 464,990,695	\$ 394,011,350

### Liabilities and Net Assets

#### Current



Bank indebtedness (Note 5)	\$ 20,728,619	\$ 18,380,060
Accounts payable and accrued liabilities (Note 17)	27,763,451	17,534,352
Accrued vacation pay and overtime	5,185,206	4,652,600
Deferred revenue (Note 18)	23,654,429	4,041,432
Current portion of long-term debt (Note 7)	4,634,642	305,833
Current portion of obligations under capital lease (Note 8)	84,661	79,108
	82,051,008	44,993,385
Long-term debt (Note 7)	296,780,552	242,896,577
Obligations under capital lease (Note 8)	136,493	218,896
Accrued benefits liability (Note 10)	5,966,500	5,414,100
Deferred capital contributions (Note 14)	121,884,056	129,028,982
	506,818,609	422,551,940

#### Commitments and Contingencies (Note 11)

#### Net Assets

Invested in capital assets (Note 15a)	14,039,946	15,316,860
Unrestricted (deficiency)	(55,867,860)	(43,857,450)
	(41,827,914)	(28,540,590)
	\$ 464,990,695	\$ 394,011,350

On behalf of the Board:

  
 \_\_\_\_\_ Director  
  
 \_\_\_\_\_ Director

## North Bay General Hospital Statement of Changes in Net Assets

<b>For the year ended March 31</b>			<b>2011</b>	<b>2010</b>
	Unrestricted (deficiency)	Invested in Capital Assets (Note 15)	Total	Total
<b>Net assets</b> , beginning of year	<b>\$ (43,857,450)</b>	<b>\$ 15,316,860</b>	<b>\$ (28,540,590)</b>	<b>\$ (18,630,538)</b>
Excess of expenses over revenues	(8,793,555)	(4,493,769)	(13,287,324)	(9,910,052)
Interfund transfers (Note 15b)	(3,216,855)	3,216,855	-	-
<b>Net assets</b> , end of year	<b>\$ (55,867,860)</b>	<b>\$ 14,039,946</b>	<b>\$ (41,827,914)</b>	<b>\$ (28,540,590)</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

## North Bay General Hospital Statement of Operations

For the year ended March 31	2011	2010
<b>Revenues</b>		
Ministry of Health and Long-Term Care / Local Health Integration Network (Note 1)	<b>\$121,219,411</b>	\$108,041,098
Other patient revenues	<b>7,244,549</b>	8,237,031
Preferred accommodation	<b>1,798,309</b>	1,552,357
Parking	<b>672,008</b>	443,367
Other revenues and recoveries	<b>16,493,662</b>	14,273,634
Amortization of deferred contributions - furniture and equipment (Note 14)	<b>1,930,115</b>	2,391,594
Administered programs (Note 21)	<b>13,685,318</b>	12,750,844
	<b>163,043,372</b>	147,689,925
<b>Expenses</b>		
Salaries, wages and medical staff remuneration	<b>90,107,247</b>	85,816,493
Employee benefits (Note 10)	<b>22,709,022</b>	19,738,924
Other supplies and expenses	<b>28,828,924</b>	21,121,427
Interest and bank charges	<b>54,124</b>	84,190
Medical and surgical supplies	<b>7,678,407</b>	7,574,637
Drugs	<b>5,587,816</b>	5,397,378
Amortization - furniture and equipment	<b>4,306,210</b>	4,326,278
Administered programs (Note 21)	<b>13,685,318</b>	12,750,844
	<b>172,957,068</b>	156,810,171
<b>Excess of expenses over revenues before interest expense and recovery, amortization of buildings, and deferred contributions and other items</b>	<b>(9,913,696)</b>	(9,120,246)
<b>Interest and amortization of buildings and deferred contributions</b>		
Recovery of interest on long term obligation	<b>11,989,228</b>	-
Interest on long term obligation	<b>(13,245,182)</b>	-
Amortization of deferred contributions - buildings (Note 14)	<b>2,110,669</b>	610,027
Amortization - buildings	<b>(4,228,343)</b>	(1,399,833)
	<b>(3,373,628)</b>	(789,806)
<b>Excess of expenses over revenues before other items</b>	<b>(13,287,324)</b>	(9,910,052)
Transition costs (Note 19)	<b>(10,885,400)</b>	(4,491,656)
Recovery of transition costs (Note 19)	<b>10,885,400</b>	4,491,656
	<b>-</b>	-
<b>Excess of expenses over revenues for the year</b>	<b>\$ (13,287,324)</b>	\$ (9,910,052)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

## North Bay General Hospital Statement of Cash Flows

For the year ended March 31	2011	2010
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of expenses over revenues for the year	\$ (13,287,324)	\$ (9,910,052)
Items not involving cash		
Amortization of capital assets	8,534,553	5,726,111
Amortization of deferred contributions	(4,040,784)	(3,001,621)
Accrued benefits expense	1,214,000	846,100
	<u>(7,579,555)</u>	<u>(6,339,462)</u>
Changes in non-cash working capital balances		
Accounts receivable	(10,736,655)	(3,419,981)
Inventories	(118,757)	(388,209)
Prepaid expenses	(249,953)	(353,617)
Assets held for sale	(824,112)	-
Accounts payable and accrued liabilities	10,229,099	(2,443,764)
Accrued vacation pay and overtime	532,606	745,844
Deferred revenue	19,612,997	970,061
	<u>10,865,670</u>	<u>(11,229,128)</u>
<b>Investing activities</b>		
Purchase of capital assets, net of disposals	(111,612,349)	(66,070,872)
Decrease in investments	44,646,123	2,218,497
Increase in long-term receivables	336,065	(274,648)
	<u>(66,630,161)</u>	<u>(64,127,023)</u>
<b>Financing activities</b>		
Repayment of long-term debt	(352,760)	(193,333)
Repayment of long-term obligation	(3,176,804)	-
Repayment of obligations under capital lease	(76,850)	(120,318)
Increase in long-term debt	662,500	675,000
Increase in long-term obligation	61,079,848	52,192,884
Increase in bank indebtedness	2,348,559	5,942,060
Deferred contributions, donations and interest	(3,104,142)	15,969,514
Post employment benefits - funding contributions	(661,600)	(604,200)
	<u>56,718,751</u>	<u>73,861,607</u>
<b>Increase (decrease) in cash and cash equivalents during the year</b>	<b>954,260</b>	<b>(1,494,544)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>-</b>	<b>1,494,544</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 954,260</b>	<b>\$ -</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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## North Bay General Hospital Summary of Significant Accounting Policies

**March 31, 2011**

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**Nature of Business**

North Bay General Hospital (the "Hospital") was incorporated under the Ontario Business Corporations Act on April 1, 1995. The Hospital is principally involved in providing health care services to the Nipissing area of northeastern Ontario. The Hospital is a registered charity under the Income Tax Act and accordingly is exempt from income taxes under section 149.1 of the Income Tax Act.

During more recent years, the Hospital has taken on responsibility for an increasing number of departments and support services on a contract basis provided to the Northeast Mental Health Centre. On April 1, 2010 the Information Systems department of the Northeast Mental Health Centre transferred to the Hospital so that the combined departments could provide services to both organizations more effectively in preparation for joint occupation of their new building and for amalgamation. Similarly, on November 1, 2010, Financial Services, Human Resources and other corporate services were transferred from Northeast Mental Health Centre to the North Bay General Hospital to provide shared services.

In January of 2011, the Northeast Mental Health Centre and the Hospital moved to co-locate at their new location. The two organizations then amalgamated to form the North Bay Regional Health Centre ("NBRHC") on April 1, 2011.

**Accrual Basis of Accounting**

Revenues and expenses are reported on the accrual basis of accounting which recognizes revenues as they become available and measurable. Expenses are recognized as they are incurred and measurable as a result of goods or services and the creation of a legal obligation to pay.

**Inventories**

Inventories are valued at the lower of average or replacement cost on a first-in, first-out basis.



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## North Bay General Hospital Summary of Significant Accounting Policies

**March 31, 2011**

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### **Capital Assets**

Purchased capital assets are recorded in the Capital Asset Fund at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expenses. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value.

Amortization of capital assets is calculated using the straight-line method, over their estimated useful lives, using the following rates:

Land	- no amortization
Buildings	- 2 % - 10 %
Equipment	- 5 % - 33 %
Equipment under capital lease	- 10 % - 20 %
Leasehold improvements	- 5 % - 20 %

### **Revenue Recognition**

The Hospital follows the deferral method of accounting for contributions which include donations and government grants.

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recorded as revenues when received or receivable if the amount to be received can be reasonably estimated and collection reasonably assured.

Contributions restricted for the purchase of capital assets are deferred and amortized to revenues at rates corresponding to those of the related capital assets.

Investment income earned on restricted funds is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Fees for medical services are recognized as revenue of the Operating Fund when the services are provided.

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## **North Bay General Hospital Summary of Significant Accounting Policies**

**March 31, 2011**

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### **Accrued Benefits Liability**

### **Post Employment Benefits**

The Hospital retroactively adopted the new Canadian generally accepted accounting principles for employee future benefits effective April 1, 2000. The Hospital accrued its obligations under employee benefit plans and the related costs. The Hospital has adopted the following policy:

The cost of retirement benefits earned by employees is actuarially determined using the projected unit method pro-rated on service and management's best estimate of salary escalation (where applicable), retirement ages of employees and expected health care costs.

The Hospital measures its accrued benefits liability and the fair value of the plan assets for accounting purposes as at March 31 of each year. The most recent actuarial valuation of the plan for funding was at March 31, 2009 (Note 10).

The current services cost for the period is equal to the actuarial present value of benefits attributed to employees' services rendered in the period.

Past service costs from plan amendments are amortized on a straight line basis over the average remaining service period of the employees active at the date of the amendment.

The excess of the net actuarial gains (losses) over 10% of the accrued benefit obligation are amortized into expenses on a straight line basis over the average remaining service period of the active employees to full eligibility.

### **Pension Benefits**

The Hospital is an employer member of the Healthcare of Ontario Pension Plan (HOOPP), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Hospital 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.

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## **North Bay General Hospital Summary of Significant Accounting Policies**

**March 31, 2011**

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### **Financial Instruments**

The Hospital classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired or liability incurred. The Hospital's accounting policy for each category is as follows:

#### **Held-for-trading**

Financial instruments classified as held-for-trading are reported at fair value at each balance sheet date, and any change in fair value is recognized in net income (loss) in the period during which the change occurs. Transaction costs are expensed when incurred.

Cash and cash equivalents and bank indebtedness have been classified as held-for-trading.

#### **Held-to-maturity investments**

Financial instruments classified as held-to-maturity investments are carried at amortized cost using the effective interest method. Interest income or expense is included in net income (loss) over the expected life of the instrument. Transaction costs are capitalized to the asset.

Restricted investments have been classified as held-to-maturity investments.

#### **Loans and receivables and other financial liabilities**

Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method. Transaction costs are expensed when incurred.

Accounts receivable, long-term receivables and long-term donations receivable have been classified as loans and receivables.

Accounts payable and accrued liabilities, long-term debt, obligations under capital lease and long-term obligation have been classified as other financial liabilities.

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## North Bay General Hospital Summary of Significant Accounting Policies

**March 31, 2011**

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### **Use of Estimates**

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

Accounts receivable and employee future benefits are reported based on amounts expected to be recovered or incurred and reflect an appropriate allowance for unrecoverable amounts based on management's estimates. Amounts recorded for inventory obsolescence and amortization of capital assets are based on estimates of useful service life.

### **Contributed Services**

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

In addition, the North Bay General Hospital Volunteer Association is an auxiliary which raises funds for the purchase of capital assets for the Hospital and is not consolidated in these financial statements. Revenues from this auxiliary are recorded when received.

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## North Bay General Hospital Summary of Significant Accounting Policies

**March 31, 2011**

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### **New Accounting Pronouncements**

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Hospital, are as follows:

#### **Accounting Standards for Not-for-Profit Organizations (NPO)**

In December 2010, the Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) issued new standards for not-for-profit organizations (NPOs) as follows:

For non-government (private sector) NPOs, they have a choice of:

1. International Financial Reporting Standards ("IFRS") or
2. Accounting Standards for NPOs (which is essentially the Accountings Standards for Private Enterprises with the current 4400 series of NPO specific standards added with some minor changes)

For government (public sector) NPOs they have a choice of:

1. Public Sector Accounting standards with the current series of NPO specific standards added with some minor changes; or
2. Public Sector Accounting Standards

The Boards require NPOs to adopt their respective standards for year ends beginning on or after January 1, 2012; early adoption is allowed. Until the date of transition to the new standards, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook - Accounting Part V - Pre-Changeover Standards.

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# North Bay General Hospital Notes to Financial Statements

**March 31, 2011**

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## **1. Continuance of Operations**

- a. The Hospital has experienced significant operating deficits in each of the past three years, has a working capital deficit of \$40.1 million at March 31, 2011 and continues to utilize its annually negotiated commercial bank line of credit. However the accompanying financial statements have been prepared on the basis that the Hospital will continue as a going concern. The Hospital's ability to continue providing services is dependent on improving cash flow by achieving cost savings and efficiencies, balanced budget funding and transition cost funding. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or liabilities that might be necessary should the Hospital be unable to continue as a going concern.

Subsequent to year end the NBRHC received an interest-free advance in the amount of \$40 million, repayable by March 31, 2012 from the Northeast Local Health Integration Network (the "LHIN").

- b. Primary Funding Source - the Hospital receives 82% (79.5% - 2010) of its operating revenues from the Ministry of Health and Long-Term Care ("MOHLTC/LHIN"). NBRHC has signed a contract with the LHIN to extend the Hospital Service Accountability Agreement into the fiscal period ending March 31, 2012.
- c. Operational Review/Recovery Plan - Management has developed a recovery plan to achieve savings resulting from relocating the Hospital from a multi-facility operation to a single site facility. Management anticipates additional cost reduction opportunities may result from the amalgamation with NEMHC.

The Hospital continues to perform detailed benchmarking exercises comparing results to other hospitals in order to minimize such deficits and continue to deliver services at the required level.

Negotiations continue with the MOHLTC regarding the Post Construction Operating Plan to fund increases in hospital volumes. These negotiations also include funding requests to assist with costs related to construction variances and transition costs.

- d. Amalgamation - In January 2011, NEMHC and the Hospital moved to co-locate at their new location. The two organizations then amalgamated to form the North Bay Regional Health Centre on April 1, 2011. These are the final financial statements for North Bay General Hospital.

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## North Bay General Hospital Notes to Financial Statements

**March 31, 2011**

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### 2. Accounts Receivable

	2011	2010
Ontario Ministry of Health and Long-Term Care / Local Health Integration Network	\$ 7,793,231	\$ 2,610,899
Insurers and patients	2,676,569	2,385,136
Municipal donations - short-term	1,251,110	1,273,644
Other health care facilities / organizations	6,415,005	2,565,209
Other	2,622,676	1,187,048
	\$ 20,758,591	\$ 10,021,936

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### 3. Investments

Investments consist of bonds and GICs totalling \$15,461,995, recorded at amortized cost, bearing interest at rates ranging from 1.57% to 2.44%, maturing between April 2011 and December 2011.

	2011	2010
Current portion	\$ 15,461,995	\$ 3,931,670
Long-term portion	-	56,176,448
	\$ 15,461,995	\$ 60,108,118
Fair value	\$ 15,443,373	\$ 60,149,112

## North Bay General Hospital Notes to Financial Statements

**March 31, 2011**

### 4. Capital Assets

	2011		2010	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land and land in trust	\$ 808,028	\$ -	\$ 274,699	\$ -
Buildings	362,888,659	1,776,285	17,988,176	12,109,831
Leasehold improvements	99,726	30,332	39,794	21,590
Equipment	94,585,742	47,959,198	65,248,053	46,808,020
Equipment under capital leases	1,211,362	985,874	1,208,488	716,767
	<b>459,593,517</b>	<b>50,751,689</b>	84,759,210	59,656,208
North Bay Regional Health Project:				
- Construction in progress	-	-	279,881,030	-
- Land - in trust	-	-	780,000	-
	-	-	280,661,030	-
	<b>\$459,593,517</b>	<b>\$ 50,751,689</b>	\$365,420,240	\$ 59,656,208
Net book value		<b>\$408,841,828</b>		\$305,764,032

### 5. Bank Indebtedness

The Hospital has an available unsecured line of credit of \$15,000,000 (2010 - \$12,000,000), which increased by \$30,000,000 in February 2011. The increase expired April 15, 2011 and was conditional upon the North East LHIN approval of an April 15, 2011 cash advance. This credit bears interest at the bank's prime lending rate less 0.50%. At year end, \$17,056,000 (2010 - \$10,893,000) of the line of credit was being used.



## North Bay General Hospital Notes to Financial Statements

**March 31, 2011**

### 6. Long-term Receivables

	2011	2010
Municipal donations (i)	\$ 12,196,939	\$ 12,836,602
Recruitment loans (ii)	2,017,312	1,713,714
	\$ 14,214,251	\$ 14,550,316

(i) The Hospital has recognized future municipal contributions in connection with the North Bay Regional Health Centre at the net present value of \$12,196,939 which approximates fair value.

(ii) These non-interest bearing recruitment loans are expected to be realized in the amounts of \$353,312, \$498,500, \$335,000, \$478,000 in fiscal 2012 to 2015 respectively with the remaining \$352,500 due thereafter.

### 7. Long-term Debt

	2011	2010
Recruitment loans, payable in annual instalments, interest payable monthly at rates ranging from the bank's prime lending and the bank's prime lending rate plus 0.25%, final instalment due March 2016.	\$ 1,749,740	\$ 1,440,000
Thirty year long-term obligation, unsecured, payable in blended monthly payments of \$1,729,877, interest at 5.55%, final instalment due June 2040.	299,665,454	241,762,410
	301,415,194	243,202,410
Less: Current portion	4,634,642	305,833
	\$296,780,552	\$242,896,577

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## North Bay General Hospital Notes to Financial Statements

**March 31, 2011**

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### 7. Long-term Debt (continued)

Principal repayments for the next five years and thereafter are as follows:

2012	\$ 4,634,642
2013	4,901,690
2014	5,135,471
2015	5,243,275
2016	5,460,595
Thereafter	<u>276,039,521</u>
	<u>\$301,415,194</u>

The fair value of the long-term debt approximates carrying value and has been determined based on the discounted cash flows using the estimated incremental borrowing rate of the Hospital for debt of the same remaining maturity. It is not management's intention to renew the long-term debt until its maturity.

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### 8. Obligations Under Capital Lease

The Hospital has entered into several capital lease agreements for medical equipment with a cost of \$411,853. Amortization on this equipment to date is \$201,795.

The future minimum lease payments for the next three years, including interest, are as follows:

2012	\$ 95,210
2013	95,210
2014	<u>47,605</u>
	238,025
Less imputed interest	<u>16,871</u>
	221,154
Less current portion	<u>84,661</u>
	<u>\$ 136,493</u>

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## North Bay General Hospital Notes to Financial Statements

**March 31, 2011**

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### **9. Disclosure of Significantly Influenced Not-for-Profit Corporations**

North Bay and District Hospital Foundation

The Hospital exercises significant influence over the North Bay and District Hospital Foundation (the "Foundation") by virtue of its ability to appoint two of the Foundation's directors, as well as economic interest and significant inter-entity transactions.

The Foundation was incorporated by Letters Patent under the Ontario Corporations Act on September 30, 1999 as a not for profit organization and has registered charity status. Its primary goal is to provide ongoing resources for the best patient-focused care, education, and research in a community-oriented, well-equipped health care setting for the benefit of people in the District of Nipissing.

During the year, the Hospital paid operating expenses of the Foundation in the amount of \$622,823 (2010 - \$592,830). Of this amount, \$308,794 (2010 - \$274,557) was received during the year, and \$314,028 (2010 - \$318,273) is recorded as an account receivable.

During 2011, the Hospital received from the Foundation \$331,672 (2010 - \$190,369) for the purchase of capital assets. The Hospital also received \$1,450,522 (2010 - \$2,036,902) from the Foundation during the year, for the NBRHC.

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### **10. Accrued Benefits Liability**

The Hospital has a number of defined benefit plans providing pension, extended health care, dental, life insurance and long-term disability.

#### **a. Pension Benefits**

HOOPP provides pension services to more than 260,000 active and retired members and approximately 370 employers. Each year, an independent actuary determines the funding status of HOOPP (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The results of the most recent valuation as at December 31, 2010 disclosed an actuarial surplus of \$176 million. The results of this valuation disclosed total actuarial liabilities of \$34,897 million in respect of benefits accrued for service with actuarial assets at that date of \$35,073 million. Because HOOPP is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario hospitals and their employees. As a result, the Hospital does not recognize any share of the HOOPP surplus or deficit. Contributions made by the Hospital to HOOPP during the year amounted to \$7,700,905 (2010 - \$6,991,123).

## North Bay General Hospital Notes to Financial Statements

**March 31, 2011**

### 10. Accrued Benefits Liability (continued)

#### b. Post Employment Benefits

At March 31, 2011, the Hospital's accrued benefit liability relating to post-employment benefits plans for extended health care, dental and life insurance is \$5,966,500 (2010 - \$5,414,100). This amount has been determined from the most recent actuarial valuation as at March 31, 2009.

The significant actuarial assumptions adopted in estimating the Hospital's accrued benefits liability are as follows:

Discount rate:	
Beginning of year	5.50%
End of year	5.25%
Dental benefits cost escalation	4.0%
Medical benefits cost escalation	
- extended health care	9.0% in 2011; decreasing by 0.5% per annum to an ultimate rate of 5.0%

i) The accrued non-pension benefit liability is calculated as follows:

	2011	2010
<b>Accrued benefit liability</b> - beginning of year	<b>\$ 5,414,100</b>	\$ 5,172,200
Expense	1,214,000	846,100
Funding contributions	(661,600)	(604,200)
	<b>\$ 5,966,500</b>	\$ 5,414,100

ii) The non-pension benefit expense for the year is calculated as follows:

	2011	2010
Accrual for services	\$ 442,000	\$ 245,600
Interest on accrued benefits	500,800	501,100
Actuarial losses (gains) during the year	151,200	53,100
Prior service cost adjustment during the year	120,000	46,300
	<b>\$ 1,214,000</b>	\$ 846,100

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## North Bay General Hospital Notes to Financial Statements

**March 31, 2011**

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### 10. Accrued Benefits Liability (continued)

iii) The accrued benefit obligation is reconciled to the accrued benefit liability as follows:

	2011	2010
Accrued benefits obligation at year end	<b>\$ 10,031,200</b>	\$ 8,856,000
<b>Less:</b> Unamortized (gains)/losses		
- Past service costs	1,327,200	756,900
- Experience (gains)/losses	2,737,500	2,685,000
Accrued benefit liability at year end	<b>\$ 5,966,500</b>	\$ 5,414,100

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### 11. Commitments and Contingencies

#### a. Lease of Premises

The Hospital has entered into various operating leases for property with annual lease payments totaling \$463,390 and also leases space on a month-to-month basis.

Lease payments for the next five years are as follows:

2012	\$	335,950
2013		147,249
2014		143,821
2015		95,066
2016		87,144
	<b>\$</b>	<b>809,230</b>

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# North Bay General Hospital Notes to Financial Statements

**March 31, 2011**

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## **11. Commitments and Contingencies (continued)**

### **b. Lifecycle and Operating costs**

In February 2007, on behalf of itself and NEMHC, the Hospital signed agreements with Plenary Health to build, maintain and finance the North Bay Regional Health Centre Project. Construction commenced in March 2007 with a substantial completion date of June 16, 2010.

Upon completion of construction, annual payments of approximately \$6.6 million for lifecycle and hard facility maintenance costs commenced for a period of 30 years, with the final payment May 2041. The Hospital's share of the annual payment is approximately \$4.8 million of which approximately 90.52% will be funded by the Ministry of Health and Long-Term Care.

A portion of the payment will be indexed to allow for increases in the cost of living, labour, insurance and energy and utilities.

### **c. Contingencies**

#### **Legal and Litigation Matters**

In the normal course of operations the Hospital is involved in certain legal matters and litigations, 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 highlighted below management is of the opinion that these matters are mitigated by adequate insurance coverage.

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

In the current year, the Hospital 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 Hospital's position that the likelihood of loss, if any, is not determinable at this time. As such the Hospital has not recorded a liability for any amount relating to this claim. Damages, if any, and legal costs, if any, relating to this matter would be recognized in the year they become known and determinable.

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## North Bay General Hospital Notes to Financial Statements

**March 31, 2011**

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### 12. Financial Instruments

#### a. Fair Values

The Hospital's financial instruments are comprised of cash, investments, accounts receivable, long-term receivables, long-term donations receivable, bank indebtedness, accounts payable and accrued liabilities, long-term debt, obligations under capital lease and long-term obligation.

Cash, and bank indebtedness are reported at fair value on the statement of financial position. Accounts receivable, investments, other receivables and accounts payable and accrued liabilities are reported at amortized cost which approximates fair value due to their short-term nature. The fair value of long-term recruitment loans is not reasonably determinable.

The fair values of investments, long-term donations receivable, long-term debt and long-term obligation are disclosed in the respective notes to the financial statements.

#### b. Risks Arising from Financial Instruments

##### Credit Risk

The Hospital's cash and investments are all held at major financial institutions. The Hospital's accounts receivable are made up of a large number of small balances from insurers and patients, large balances from government organizations and municipalities and smaller balances from various other organizations.

##### Interest Rate Risk

The Hospital manages its portfolio investments based on its cash flow needs and with a view to optimizing its interest income.

The effective interest rate on investments during the year varied from 0.40% to 4.61% (2010 - 0.40% to 4.80%). The average interest rate at the end of the year was 2.00% (2010 - 2.15%) with investments maturing between one month and nine months.

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## North Bay General Hospital Notes to Financial Statements

**March 31, 2011**

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### 13. Capital Disclosures

The Hospital considers its capital to be the balance retained in net assets, which includes unrestricted net assets and net assets invested in capital assets, as well as deferred capital contributions and long-term obligations. The Hospital receives funding from the provincial government for the delivery of its programs. These funds are maintained and disbursed under the terms of the funding agreements and management is responsible for adhering to the provisions of these agreements.

The Hospital's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide delivery of its programs to the public.

The Hospital is subject to externally imposed capital requirements under its banking agreement which stipulates certain restrictions on capital asset purchases and outlines bank reporting requirements.

Management maintains its capital by ensuring that annual operating and capital budgets are developed and approved by both the Board of Directors, the MOHLTC and the LHIN based on both known and estimated sources of funding and financing available each year. These budgets are shared with all management to ensure that the capital of the Hospital is maintained.

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### 14. Deferred Capital Contributions

Deferred capital contributions include restricted grants, donations and contributions with which the Hospital's buildings and equipment were purchased.

The changes for the year in the deferred capital contributions balance are as follows:

	<u>2011</u>	<u>2010</u>
<b>Balance, beginning of year</b>	<b>\$129,028,982</b>	\$116,061,089
<b>Less: Deferred contributions amortized to revenue</b>		
- furniture and equipment	(1,930,115)	(2,391,594)
- buildings	(2,110,669)	(610,027)
- transferred to deferred revenue	(16,303,840)	-
- recognized as transition recovery	(1,905,736)	-
Building and equipment contributions and interest during the year	<u>15,105,434</u>	<u>15,969,514</u>
<b>Balance, end of year (i)</b>	<b><u>\$121,884,056</u></b>	<b><u>\$129,028,982</u></b>

(i) Includes \$26,968,782 of unspent contributions.



## North Bay General Hospital Notes to Financial Statements

**March 31, 2011**

### 15. Invested in Capital Assets

a. The amount invested in capital assets is calculated as follows:

	2011	2010
Capital assets, net book value,		
excluding construction in progress in prior year	\$408,841,828	\$ 25,103,002
- deferred capital contributions	(94,915,274)	(9,488,138)
- long-term obligation	(299,665,454)	-
- obligation under capital lease	(221,154)	(298,004)
	<b>\$ 14,039,946</b>	<b>\$ 15,316,860</b>

b. The changes in amounts invested in capital assets are calculated as follows:

	2011	2010
<b>Excess of Expenses over Revenues</b>		
Amortization of deferred contributions		
- furniture and equipment	\$ 1,930,115	\$ 2,391,594
Amortization of deferred contributions		
- buildings	2,110,669	610,027
Amortization - furniture and equipment	(4,306,210)	(4,326,278)
Amortization - buildings	(4,228,343)	(1,399,833)
	<b>\$ (4,493,769)</b>	<b>\$ (2,724,490)</b>
<b>Invested in Capital Assets</b>		
Purchase of capital assets, excluding construction		
in progress in prior year, net of disposals	\$ 33,094,824	\$ 6,960,047
Reclassify assets held for sale	(824,112)	-
Addition of assets - construction in progress	359,810,784	-
Addition of long term obligation	(299,665,454)	-
Amounts funded by deferred contributions	(89,199,187)	(1,661,783)
	<b>\$ 3,216,855</b>	<b>\$ 5,298,264</b>

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## North Bay General Hospital Notes to Financial Statements

**March 31, 2011**

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### 16. Assets Held for Sale

As a result of moving to a new facility January 30, 2011, the Hospital's old sites are currently vacant and available for sale, along with the related service equipment and land. These vacated sites include the Scollard site, McLaren site, the Nipissing Building and the Cooper house. The assets held for sale have a net book value of \$824,112 which is not reflective of market value.

The Board approved actively marketing and negotiating the sites for disposition in 2010 at a reasonable price. Prior to final sale, approval is required from the Board, the LHIN and the Ministry of Health.

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### 17. Accounts Payable and Accrued Liabilities

	2011	2010
Ontario Ministry of Health and Long-Term Care/ Local Health Integration Network	\$ 1,716,714	\$ 1,563,809
Trade payables	16,383,957	8,955,510
Project payable and holdbacks	1,766,120	2,517,426
Employee deductions payable	2,651,874	830,049
Accrued salaries and wages	3,272,759	2,662,292
Other health care facilities / organizations	1,972,027	1,005,266
	<b>\$ 27,763,451</b>	<b>\$ 17,534,352</b>

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### 18. Deferred Revenue

	2011	2010
Ontario Ministry of Health and Long-Term Care/ Local Health Integration Network deferred revenue	\$ 6,029,432	\$ 3,020,988
MOHLTC contribution - current portion of long-term obligation	16,303,840	-
Other deferred revenue	1,321,157	1,020,444
	<b>\$ 23,654,429</b>	<b>\$ 4,041,432</b>

# North Bay General Hospital Notes to Financial Statements

**March 31, 2011**

## 19. Transition Costs

During the year, the Hospital incurred transition costs in the amount of \$10,885,400 (2010 - \$4,491,656), including \$2,117,484 of moving costs, as it worked toward consolidation of operations to a single site. These costs are not part of the Hospital's normal operating costs and are therefore separately identified. During the year, the Hospital received external funding of \$10,926,107 (2010 - \$4,823,530) with respect to costs incurred in the current year of which \$2,278,822 (2010 - \$331,874) was deferred.

## 20. Comparative Figures

Certain financial statement balances have been reclassified to conform with the current year presentation.

## 21. Administered Programs

	2011	2010
<b>Revenues</b>		
Land ambulance service	\$ 5,335,706	\$ 4,256,664
CACC ambulance dispatch	1,713,542	1,934,428
Mental health and addictions	5,855,530	5,628,771
Diabetes centre - Nipissing district	711,593	725,404
French language services	68,947	205,577
	<b>13,685,318</b>	<b>12,750,844</b>
<b>Expenses</b>		
Land ambulance service	5,335,706	4,256,664
CACC ambulance dispatch	1,713,542	1,934,428
Mental health and addictions	5,855,530	5,628,771
Diabetes centre - Nipissing district	711,593	725,404
French language services	68,947	205,577
	<b>13,685,318</b>	<b>12,750,844</b>
<b>Excess of revenues over expenses for the year</b>	<b>\$ -</b>	<b>\$ -</b>