

North Bay General Hospital
Financial Statements
For the year ended March 31, 2008

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Financial Statements
For the year ended March 31, 2008

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Auditors' Report

To the Members of North Bay General Hospital

We have audited the statement of financial position of North Bay General Hospital as at March 31, 2008 and the statements of changes in net assets, operations and cash flows for the year then ended. These financial statements are the responsibility of the Hospital'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 Hospital as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants, Licensed Public Accountants

May 15, 2008
North Bay, Ontario

North Bay General Hospital Statement of Financial Position

March 31

2008

2007

	Operating and Capital Asset Fund	NBRHC Project Fund	Total	Total
Assets				
Current				
Cash	\$ 254,949	\$ -	\$ 254,949	\$ 73,339
Restricted cash and investments (Note 2)	-	806,631	806,631	2,039,473
Accounts receivable (Note 1)	5,255,432	1,228,806	6,484,238	6,508,968
Inventories	1,938,674	-	1,938,674	1,842,237
Prepaid expenses	852,211	-	852,211	778,371
	8,301,266	2,035,437	10,336,703	11,242,388
Long-term receivables (Note 5a)	1,223,062	-	1,223,062	360,000
Long-term donations receivable (Note 3)	-	13,761,910	13,761,910	-
Restricted cash and investments (Note 2)	38,739	49,940,033	49,978,772	48,942,013
Capital assets (Note 3)	23,885,687	112,488,868	136,374,555	46,848,368
	\$ 33,448,754	\$ 178,226,248	\$ 211,675,002	\$ 107,392,769

Liabilities and Net Assets

Current

Bank indebtedness (Note 4)	\$ 9,291,925	\$ -	\$ 9,291,925	\$ 10,261,452
Accounts payable and accrued liabilities	13,192,467	2,035,437	15,227,904	12,212,210
Accrued vacation pay	3,068,341	-	3,068,341	2,590,165
Deferred revenue	678,970	-	678,970	2,627,556
Current portion of long-term debt (Note 5b)	151,667	-	151,667	66,667
	26,383,370	2,035,437	28,418,807	27,758,050
Long-term debt (Note 5b)	708,333	-	708,333	233,333
Obligation under capital lease (Note 6)	158,306	-	158,306	438,267
Due to NEMHC (Note 3)	-	2,854,048	2,854,048	4,337,697
Accrued benefits liability (Note 8)	4,882,700	-	4,882,700	4,534,900
Deferred capital contributions (Note 9)	10,908,574	87,277,762	98,186,336	79,635,213
Deferred capital contributions - administered programs	2,978,739	-	2,978,739	35,969
Long-term obligation - NBRHC (Note 11b)	-	86,059,001	86,059,001	-
	46,020,022	178,226,248	224,246,270	116,973,429

Net Assets

Invested in capital assets (Note 10a)	12,977,113	-	12,977,113	11,781,502
Unrestricted (deficiency)	(25,548,381)	-	(25,548,381)	(21,362,162)
	(12,571,268)	-	(12,571,268)	(9,580,660)
	\$ 33,448,754	\$ 178,226,248	\$ 211,675,002	\$ 107,392,769

On behalf of the Board:

Director

Director

North Bay General Hospital Statement of Changes in Net Assets

<u>For the year ended March 31</u>	<u>2008</u>			<u>2007</u>
	Unrestricted (deficiency)	Invested in Capital Assets Note 10	Total	Total
Net assets , beginning of year	\$ (21,362,162)	\$ 11,781,502	\$ (9,580,660)	\$ (9,129,579)
Excess of expenses over revenues	(940,376)	(2,050,232)	(2,990,608)	(451,081)
Interfund transfers	(3,245,843)	3,245,843	-	-
Net assets , end of year	\$ (25,548,381)	\$ 12,977,113	\$ (12,571,268)	\$ (9,580,660)

North Bay General Hospital Statement of Operations

For the year ended March 31	2008	2007
Revenues		
Ministry of Health and Long-Term Care (Note 12)	\$ 88,310,262	\$ 83,062,046
Other patient revenues	7,672,265	6,868,077
Preferred accommodation	1,897,430	2,140,068
Parking	470,029	447,116
Other revenues and recoveries	3,863,937	3,637,031
(Loss) gain on disposal of assets	(25,898)	23,906
Amortization of deferred contributions		
- furniture and equipment (Note 9)	2,207,016	2,049,910
Administered programs (Schedule 3)	9,126,226	8,763,128
	113,521,267	106,991,282
Expenses		
Salaries, wages and medical staff remuneration	63,188,601	57,758,006
Employee benefits (Note 8)	15,874,179	14,015,220
Other supplies and expenses	13,811,125	13,328,901
Interest and bank charges	204,846	435,248
Medical and surgical supplies	6,149,909	5,456,162
Drugs	3,899,741	3,846,294
Amortization - furniture and equipment	3,769,838	3,388,323
Administered programs (Schedule 3)	9,126,226	8,763,128
	116,024,465	106,991,282
Excess of Expenses over Revenues before other items	(2,503,198)	-
Other items		
Amortization of deferred contributions - buildings (Note 9)	435,549	277,010
Amortization - buildings	(922,959)	(728,091)
	(487,410)	(451,081)
Excess of Expenses over Revenues for the year	\$ (2,990,608)	\$ (451,081)

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	2008	2007
Cash provided by (used in)		
Operating activities		
Excess of expenses over revenues for the year	\$ (2,990,608)	\$ (451,081)
Items not involving cash		
Amortization of capital assets	4,692,797	4,116,414
Amortization of deferred contributions	(2,642,565)	(2,326,920)
Change in accrued benefits liability	347,800	447,100
	<u>(592,576)</u>	1,785,513
Changes in non-cash working capital balances		
Accounts receivable	24,730	2,244,349
Inventories	(96,437)	(245,362)
Prepaid expenses	(73,840)	(128,674)
Accounts payable and accrued liabilities	3,015,694	(2,845,599)
Accrued vacation pay	478,176	381,578
Deferred revenue	(1,948,586)	258,635
	<u>807,161</u>	1,450,440
Investing activities		
Purchase of capital assets, net of disposals	(94,218,984)	(10,046,930)
Decrease in investments	3,138,853	4,608,611
Other assets	(863,062)	(90,000)
Long-term receivables	(13,761,910)	-
	<u>105,705,103</u>	(5,528,319)
Financing activities		
Repayment of long-term debt	(150,000)	(50,000)
Repayment of obligation under capital lease	(279,961)	(63,228)
Increase in obligation under capital lease	-	501,496
Increase in long-term debt	710,000	100,000
Increase in NBRHC obligation	86,059,001	-
(Decrease) increase in bank indebtedness	(969,527)	732,159
Deferred contributions, donations and interest	21,193,688	2,918,179
Due to NEMHC	(1,483,649)	-
	<u>105,079,552</u>	4,138,606
Increase in cash and cash equivalents during the year	181,610	60,727
Cash and cash equivalents, beginning of year	73,339	12,612
Cash and cash equivalents, end of year	\$ 254,949	\$ 73,339

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

North Bay General Hospital Summary of Significant Accounting Policies

March 31, 2008

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.
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.
Fund Accounting	<p>The Operating Fund accounts for the Hospital's program delivery and administrative activities. The fund reports unrestricted resources and restricted operating grants.</p> <p>The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the Hospital's capital assets.</p> <p>The North Bay Regional Health Centre (NBRHC) Project Fund reports all the assets and liabilities of the new hospital building project, except the share pertaining to Northeast Mental Health Centre (NEMHC).</p> <p>The Administered Programs Fund reports assets, liabilities, revenues and expenses related to certain programs administered on behalf of the Ontario Ministries of Health and Long-Term Care and Community and Social Services, the District of Nipissing Social Services Administration Board and the Municipality of Parry Sound.</p>
Inventories	Inventories are valued at the lower of average or replacement cost on a first-in, first-out basis.

North Bay General Hospital Summary of Significant Accounting Policies

March 31, 2008

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
Land improvements	- 5 % - 20 %
Buildings - other	- 2 % - 10 %
Buildings - McLaren	- 20 %
Building service equipment	- 4 % - 10 %
Major equipment	- 5 % - 33 %
Equipment under capital lease	- 10 % - 20 %
Construction in progress	- amortization to commence once asset is ready for use

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.

North Bay General Hospital Summary of Significant Accounting Policies

March 31, 2008

Revenue Recognition (continued) 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.

Accrued Benefits Liability

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 prorated 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 April 1, 2006 (Note 8).

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.

North Bay General Hospital Summary of Significant Accounting Policies

March 31, 2008

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 expense when incurred.

Cash, restricted cash 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 due to NEMHC have been classified as other financial liabilities.

North Bay General Hospital Summary of Significant Accounting Policies

March 31, 2008

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.

North Bay General Hospital Notes to Financial Statements

March 31, 2008

1. Accounts Receivable

	2008	2007
Ontario Ministry of Health and Long-Term Care		
- One time grant - operating	\$ 826,000	\$ 2,025,000
- Other	68,650	45,965
Insurers and patients	2,425,887	2,663,798
North Bay and District Hospital Foundation	492,407	536,878
Municipal donations - short-term	1,207,942	-
Other health care facilities	1,115,024	1,237,327
Goods and services tax and other	348,328	-
	\$ 6,484,238	\$ 6,508,968

2. Restricted Cash and Investments

a. Restricted cash and investments consists of the following:

	2008	2007
Cash	\$ 2,867,612	\$ 1,801,931
Bonds and Guaranteed Investment Certificates, recorded at amortized cost, bearing interest at rates ranging from 3.836% to 4.8%, maturing between July 2008 and August 2010.	47,879,052	49,143,586
	50,746,664	50,945,517
Current portion	806,631	2,039,473
Long-term portion	49,940,033	48,906,044
	\$ 50,746,664	\$ 50,945,517
Fair value	\$ 51,556,680	\$ 52,648,172

North Bay General Hospital Notes to Financial Statements

March 31, 2008

3. Capital Assets

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 274,699	\$ -	\$ 274,699	\$ -
Buildings	14,932,529	9,926,186	13,875,469	9,237,894
Leasehold improvements	39,794	5,409	-	-
Equipment	56,685,223	38,556,890	52,874,361	34,834,352
Equipment under capital leases	719,578	277,651	685,740	137,851
	72,651,823	48,766,136	67,710,269	44,210,097
North Bay Regional Health Project:				
- Construction in progress (i)	111,708,868	-	22,568,196	-
- Land - in trust (ii)	780,000	-	780,000	-
	112,488,868	-	23,348,196	-
	\$ 185,140,691	\$ 48,766,136	\$ 91,058,465	\$ 44,210,097
Net book value		\$ 136,374,555		\$ 46,848,368

- (i) The construction in progress includes the Hospital's portion of all costs incurred to date relating to the development and construction of the new NBRHC. As disclosed in Note 11b this project is a joint undertaking with the NEMHC. In the Hospital's capacity as Paymaster, funding has been received and expenditures have been made that are attributable to the NEMHC's share of the construction costs. These costs will be recovered from NEMHC on or before completion of the project. Funding to date has exceeded costs to a net amount due to NEMHC of \$2,854,048. The Hospital has recognized municipal contributions in connection with this project, receivable over the next several years, at the net present value of \$14,969,852, which approximates fair value.
- (ii) The land - in trust, held as tenants in common, represents a parcel of land contributed by both Canadore College of Applied Arts and Technology and Nipissing University to North Bay General Hospital and Northeast Mental Health Centre on December 10, 2002. An amount of \$780,000 has been reflected in these financial statements, which represents fifty percent of the estimated fair value for this parcel of land. The fair value was determined based upon management's best estimates, using information available at the time of the transfer.

North Bay General Hospital Notes to Financial Statements

March 31, 2008

4. Bank Indebtedness

The Hospital has an available unsecured line of credit of \$12,000,000, provided that between March 1, 2008 to May 31, 2008 the amount increases to \$20,000,000. This credit bears interest at the bank's prime lending rate less 0.75% for the first \$12,000,000 and the bank's prime lending rate less one half percent for amounts including and in excess of \$12,000,001 which is reviewed quarterly. At year end, \$9,569,000 (2006 - \$10,578,000) of the line of credit was being used.

5. Long-Term Receivables / Long-Term Debt

a. Long-term receivables

As at March 31, 2008, this includes \$888,875 (2007 - \$360,000) in recruitment loans and \$334,187 (2007 - \$Nil) in other receivables. These non-interest bearing recruitment loans are expected to be realized in the amounts of \$46,125, \$91,125, \$136,125, \$220,500 in fiscal 2009 to 2012 respectively with the remaining \$395,000 due thereafter.

b. Long-term debt

	2008	2007
Recruitment loans, payable in annual installments, interest payable monthly at the bank's prime lending rate plus 0.25%, final installment due January 16, 2014.	\$ 860,000	\$ 300,000
Current portion	151,667	66,667
	\$ 708,333	\$ 233,333

North Bay General Hospital Notes to Financial Statements

March 31, 2008

5. Long-Term Receivables / Long-Term Debt (continued)

Principal repayments for the next six years are as follows:

2009	\$ 151,667
2010	151,667
2011	151,667
2012	151,667
2013	135,000
2014	118,332
	<hr/>
	\$ 860,000

The fair value of the long-term debt is \$768,475, which 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.

6. Obligation Under Capital Lease

In May 2006 the Hospital entered into a five year capital lease agreement for equipment with a monthly lease payment of \$8,478 including monthly warranty costs, with an implicit interest rate of 6.4%. As part of this lease agreement, the Hospital has committed to minimum purchases of units to be used in conjunction with the leased equipment.

Obligations under capital lease are secured by certain plant and office equipment.

7. Disclosure of Related Entity and Significantly Influenced Not-for-Profit Corporations

a. Related Entity

The North Bay and District Hospital Foundation (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.

North Bay General Hospital Notes to Financial Statements

March 31, 2008

7. Disclosure of Related Entity and Significantly Influenced Not-for-Profit Corporations
(continued)

Pertinent financial information of the Foundation as at March 31 is as follows:

	2008	2007
Total assets	\$ 9,842,706	\$ 8,349,408
Total liabilities	\$ 501,772	\$ 539,466
Fund balances	9,340,934	7,809,942
	\$ 9,842,706	\$ 8,349,408
Results of operations:		
Total revenues	\$ 3,228,957	\$ 2,362,439
Total expenses	1,723,108	974,751
Excess of revenues over expenses	\$ 1,505,849	\$ 1,387,688

During the year, the Hospital paid operating expenses of the Foundation in the amount of \$487,598 (2007 - \$465,934). Of this amount, \$209,788 (2007 - \$197,303) was received during the year, and \$277,810 (2007 - \$268,631) is recorded as an account receivable.

During 2008, the Hospital received \$190,490 (2007 - \$159,277) for the purchase of capital assets from the Foundation. The Hospital also received \$589,038 (2007 - \$369,075) from the Foundation, for the North Bay Regional Health Centre Project.

These transactions are measured at the exchange amount.

North Bay General Hospital Notes to Financial Statements

March 31, 2008

7. Disclosure of Related Entity and Significantly Influenced Not-for-Profit Corporations (continued)

b. Significantly Influenced Not-for-Profit Corporations

The Hospital exercises significant influence over the Terry McKerrow CAT Scan Operating Fund Inc. (the "Fund") and the Nipissing Area Joint Hospitals Laundry Incorporation (the "Laundry") by virtue of its ability to appoint some of the Fund's and Laundry's directors.

The Fund was originally established to raise funds for the operation of the CT scanner at the Hospital until this funding was allocated in the base operating budget. Subsequently, in April of 2000, the Fund committed to provide \$3,000,000 over ten years to the North Bay and District Hospital Foundation's New Hospital Building Fund for equipment. The Fund is incorporated under the laws of the province of Ontario and is a registered charity under the Income Tax Act.

The Laundry provided laundry and linen services to the Hospital. It is incorporated under the laws of the province of Ontario as a not-for-profit organization. During the year the Laundry provided the Hospital with laundry and linen services at their exchange amount of \$536,709 to August 31, 2007 (2007 - \$1,259,183). This organization is no longer the provider of these services to the Hospital.

The above noted entities have not been included in these financial statements.

8. Accrued Benefits Liability

The Hospital has a number of defined benefit plans providing pension, extended health care, dental, life insurance and long-term disability. Substantially all employees of the Hospital are eligible to be members of the Hospitals of Ontario Pension Plan (HOOPP), which is a multi-employer final average pay contributory pension plan. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. 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. HOOPP provides pension services to approximately 234,000 active and retired members and approximately 321 employers.

North Bay General Hospital Notes to Financial Statements

March 31, 2008

8. Accrued Benefits Liability (continued)

Each year, an independent actuary determines the funding status of HOOPP 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 disclosed total actuarial liabilities of \$28,683 million in respect of benefits accrued for service with actuarial assets at that date of \$28,352 million indicating an actuarial deficit of \$331 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. The Hospital's contributions made to the HOOPP during the year amounted to \$4,343,886 (2007 - \$4,032,834).

At March 31, 2008, the Hospital's accrued benefit liability relating to post-employment benefits plans for extended health care, dental and life insurance is \$4,882,700 (2007 - \$4,534,900). This amount has been determined from the most recent actuarial valuation as at April 1, 2006.

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

Discount rate:	
Beginning of year	5.0%
End of year	5.75%
Dental benefits cost escalation	4.0%
Medical benefits cost escalation	
- extended health care	9.0% in 2008; decreasing by 0.5% per annum to an ultimate rate of 5.0%

a. The accrued non-pension benefit liability is calculated as follows:

	<u>2008</u>	<u>2007</u>
Accrued benefit liability - beginning of year	\$ 4,534,900	\$ 4,087,800
Expense	844,200	815,500
Funding contributions	(496,400)	(368,400)
Accrued benefit liability - end of year	\$ 4,882,700	\$ 4,534,900

North Bay General Hospital Notes to Financial Statements

March 31, 2008

8. Accrued Benefits Liability (continued)

b. The non-pension benefit expense for the year is calculated as follows:

	2008	2007
Accrual for services	\$ 304,600	\$ 279,100
Interest on accrued benefits	364,300	361,100
Actuarial losses during the year	(505,600)	1,697,900
Adjustment for experience (gains)/losses	634,600	(1,568,900)
Adjustment for prior service cost	46,300	46,300
	\$ 844,200	\$ 815,500

c. The accrued benefit obligation is reconciled to the accrued benefit liability as follows:

	2008	2007
Accrued benefits obligation at year end	\$ 6,895,500	\$ 7,228,600
Less: Unamortized (gains)/losses		
Past service costs	247,400	293,700
Experience (gains)/losses	1,765,400	2,400,000
	\$ 4,882,700	\$ 4,534,900

d. Sensitivity Analysis

A one percentage change in assumed health and dental care cost trend rates would have the following effects for 2008:

	Increase	Decrease
Service and interest cost for fiscal 2008	\$ 80,800	\$ 68,200
Accrued benefit obligation as at March 31, 2008	640,100	554,400

North Bay General Hospital Notes to Financial Statements

March 31, 2008

9. 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:

	2008	2007
Balance , beginning of year	\$ 79,635,213	\$ 97,958,815
Less: Deferred contributions amortized to revenue		
- furniture and equipment	(2,207,016)	(2,049,910)
- buildings	(435,549)	(277,010)
Building and equipment contributions, and interest during the year	21,193,688	2,918,179
Change in accounting policy (Note 16)	-	(18,914,861)
	\$ 98,186,336	\$ 79,635,213
Comprised of:		
Operating and capital asset fund	\$ 10,908,574	\$ 11,718,670
NBRHC project fund	87,277,762	67,916,543
	\$ 98,186,336	\$ 79,635,213

10. Invested in Capital Assets

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

	2008	2007
Capital assets, net book value, excluding construction in progress	\$ 23,885,687	\$ 23,500,172
- deferred capital contributions	(10,908,574)	(11,718,670)
	\$ 12,977,113	\$ 11,781,502

North Bay General Hospital Notes to Financial Statements

March 31, 2008

10. Invested in Capital Assets (continued)

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

	2008	2007
Excess of Expenses over Revenues		
Amortization of deferred contributions - furniture and equipment	\$ 2,207,016	\$ 2,049,910
Amortization of deferred contributions - buildings	435,549	277,010
Amortization - furniture and equipment	(3,769,838)	(3,388,323)
Amortization - buildings	(922,959)	(728,091)
	\$ (2,050,232)	\$ (1,789,494)
 Invested in Capital Assets		
Purchase of capital assets, excluding construction in progress, net of disposals	\$ 5,078,312	\$ 4,356,858
Amounts funded by deferred contributions	(1,832,469)	(995,304)
	\$ 3,245,843	\$ 3,361,554

11. Commitments and Contingencies

a. Lease of Premises

On November 1, 2001, the Hospital entered into a ten year lease commitment for the Nipissing Detoxification and Substance Abuse premises jointly with the Nipissing Diabetes Resource Centre. The lease provides for annual rent of \$303,750. The Ministry of Health and Long-Term Care has committed to provide revenues to offset the lease payments.

North Bay General Hospital Notes to Financial Statements

March 31, 2008

11. Commitments and Contingencies (continued)

b. North Bay Regional Health Centre Project

The NBRHC Project is a joint undertaking of the Hospital and NEMHC to construct a new shared facility to house the operations of both organizations. In February of 2007, on behalf of itself and NEMHC, the Hospital signed agreements with the successful proponent for the construction of the North Bay Regional Health Centre. Construction commenced in March 2007 with a targeted completion date of June 2010.

The cost to build, maintain and finance the NBRHC Project was determined to be approximately \$551 million in 2007 dollars at the time of contract signing. The Hospital portion of the project costs is expected to be approximately \$397 million, of which the Ministry of Health and Long-Term Care will fund 90%. The remaining local Hospital share will be funded by Foundation donations, municipal contributions and general Hospital operations. These funding sources began accumulating to a fund in the 2007/08 fiscal year to cover these expenditures.

Once construction has been completed, annual payments of approximately \$35 million, including principal, interest, general construction, lifecycle costs and hard facility maintenance, will commence for a period of 30 years, with the final payment expected May 31, 2041.

A portion of this payment will be indexed over the 30 year service period to allow for changes relating to cost of living, labour rates, insurance costs, energy and utilities.

The costs of the main construction contract to March 31, 2008 are also allocated to construction in progress based on year-to-date reporting of the Independent Certifier. The Hospital has recorded its share of these costs and related long-term obligation in the amount of \$86,059,001 based on the final cost sharing formula.

c. Contingencies

Legal and Litigation Matters

In the normal course of business the Hospital is involved in certain legal matters and litigations, the outcome 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. Management is of the opinion that these matters are mitigated by adequate insurance coverage.

North Bay General Hospital Notes to Financial Statements

March 31, 2008

12. Ministry Funding/Economic Dependence

The Hospital received 83% (2007 - 83%) of its revenues from the Ministry of Health and Long-Term Care.

The revenue received from the Ministry of Health and Long-Term Care for the year includes one time operating grants of \$8,040,071 (2007 - \$4,829,208).

13. Contributed Services/Hospital Auxiliary

- a. 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.
- b. 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.

North Bay General Hospital Notes to Financial Statements

March 31, 2008

14. Financial Instruments

a. Fair Values

The Hospital's financial instruments are comprised of cash, restricted cash and 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 due to NEMHC.

Cash, restricted cash and bank indebtedness are reported at fair value on the statement of financial position. Accounts receivable, restricted 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 values of restricted investments, long-term donations receivable and long-term debt are disclosed in the respective notes to the financial statements. The fair value of due to NEMHC has not been determined or disclosed as the cash flows related to this liability have yet to be determined.

b. Risks arising from Financial Instruments

Credit Risk

The Hospital's cash and restricted cash and investments are all held at a major financial institution. 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 3.836% to 4.8% (2007 - 2.98% to 4.25%). The average interest rate at the end of the year was 4.47% (2007 - 3.73%) with investments maturing between seven months and eleven months.

North Bay General Hospital Notes to Financial Statements

March 31, 2008

15. Measurement Uncertainties

The Health Services Restructuring Commission has recommended that the Hospital's two sites be consolidated on a single new site. The Hospital's assets currently held may be disposed of or may become redundant to the ongoing operations as and when the single site amalgamation of operation occurs.

Any resulting gains or losses on the disposition or write down of the Hospital's assets will be accounted for as an adjustment to the capital asset fund in the period in which the site amalgamation plans are finalized. The useful life of the buildings, and resulting amortization has been adjusted to take into consideration the completion date of the new Hospital and estimated residual values of the existing building net of costs of disposal and decommissioning based on facts known at the date of financial statement preparation.

16. Changes in Accounting Policies

On April 1, 2007, the Hospital retroactively adopted, without restatement of prior periods, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation", and Section 3855, "Financial Instruments - Recognition and Measurement". These new Handbook Sections provide comprehensive requirements for the disclosure, recognition and measurement of financial instruments.

Under these new standards, all financial instruments are included on the statement of financial position and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

In accordance with the provisions of these new standards, the Hospital did not make any adjustments on April 1, 2007 since the financial instruments were already stated at, or close to, fair value or amortized cost based on their classification as disclosed in the Summary of Significant Accounting Policies.

The adoption of these new standards had no material impact on the Hospital's statements of financial position, changes in net assets and operations. Unrealized gains and losses were \$Nil.

On April 1, 2007, the Hospital retroactively adopted, with restatement of prior periods, the accounting policy for the NBRHC Project to only include its share of the costs and deferred funding to date. This restatement has had the effect of reducing opening construction in progress by \$14,577,164, increasing due to NEMHC in the amount of \$4,337,697 and reducing deferred capital contributions by \$18,914,861.



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Auditors' Comments on Supplementary Financial Information

To the Directors of the North Bay General Hospital

The audited financial statements of the North Bay General Hospital as at March 31, 2008 and our report thereon dated May 15, 2008 are presented in the preceding section of these financial statements. The financial information presented hereinafter was derived from the accounting records tested by us as part of the auditing procedures followed in our examination of the financial statements and, in our opinion, it is fairly presented in all material respects in relation to the financial statements taken as a whole.

BDO Dunwoody LLP

Chartered Accountants, Licensed Public Accountants

May 15, 2008
North Bay, Ontario

North Bay General Hospital
Schedule 1 - Statement of Operations
- Operating Fund

For the year ended March 31	2008 Budget (Unaudited)	2008 Actual	2007 Actual
Revenues			
Ministry of Health and Long-Term Care (Note 12)	\$ 87,182,498	\$ 88,310,262	\$ 83,062,046
Other patient revenues	7,008,572	7,672,265	6,868,077
Preferred accommodation	2,294,127	1,897,430	2,140,068
Parking	446,667	470,029	447,116
Other revenues and recoveries	3,231,697	3,863,937	3,637,031
(Loss) gain on disposal of assets	-	(25,898)	23,906
	<u>100,163,561</u>	<u>102,188,025</u>	<u>96,178,244</u>
Expenses			
Salaries, wages and medical staff remuneration	61,732,555	63,188,601	57,758,006
Employee benefits	14,857,840	15,874,179	14,015,220
Other supplies and expenses	13,838,644	13,773,777	13,286,058
Interest and bank charges	300,000	204,846	435,248
Medical and surgical supplies	5,860,810	6,149,909	5,456,162
Drugs	3,906,341	3,899,741	3,846,294
Bad debts	46,000	37,348	42,843
	<u>100,542,190</u>	<u>103,128,401</u>	<u>94,839,831</u>
Excess of (Expenses over Revenues) Revenues over Expenses for the year	\$ (378,629)	\$ (940,376)	\$ 1,338,413

**North Bay General Hospital
Schedule 2 - Statement of Operations
- Capital Asset Fund**

For the year ended March 31	2008 Budget (Unaudited)	2008 Actual	2007 Actual
Revenues			
Amortization of deferred contributions - furniture and equipment (Note 9)	\$ 2,328,234	\$ 2,207,016	\$ 2,049,910
Amortization of deferred contributions - buildings (Note 9)	350,534	435,549	277,010
	<u>2,678,768</u>	<u>2,642,565</u>	<u>2,326,920</u>
Expenses			
Amortization - furniture and equipment	3,843,824	3,769,838	3,388,323
Amortization - buildings	1,012,745	922,959	728,091
	<u>4,856,569</u>	<u>4,692,797</u>	<u>4,116,414</u>
Excess of Expenses over Revenues for the year	\$ (2,177,801)	\$ (2,050,232)	\$ (1,789,494)

**North Bay General Hospital
Schedule 3 - Statement of Operations
- Administered Programs Fund**

For the year ended March 31	2008	2007
Revenues		
Land ambulance service	\$ 3,408,310	\$ 3,271,618
CACC ambulance dispatch	1,428,842	1,236,703
Base hospital	256,796	244,028
Mental health and addictions	3,145,867	3,164,766
Diabetes centre - Nipissing district	646,004	555,630
Regional training	-	61,470
French language services	183,455	153,701
Thorne nursing station	56,952	75,212
	<u>9,126,226</u>	<u>8,763,128</u>
Expenses		
Land ambulance service	3,408,310	3,271,618
CACC ambulance dispatch	1,428,842	1,236,703
Base hospital	256,796	244,028
Mental health and addictions	3,145,867	3,164,766
Diabetes centre - Nipissing district	646,004	555,630
Regional training	-	61,470
French language services	183,455	153,701
Thorne nursing station	56,952	75,212
	<u>9,126,226</u>	<u>8,763,128</u>
Excess of Revenues over Expenses for the year	\$ -	\$ -