

**North Bay General Hospital**  
**Financial Statements**  
**For the year ended March 31, 2010**

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For the year ended March 31, 2010

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Tel: 705 495 2000  
Fax: 705 495 2001  
Toll-free: 800 461 6324  
www.bdo.ca

BDO Canada LLP  
142 Main Street W  
North Bay ON P1B 2T5 Canada

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## Auditors' Report

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### 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, 2010 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, 2010 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  
May 14, 2010

## North Bay General Hospital Statement of Financial Position

**March 31** 2010                      2009

### Assets

#### Current

|   |    |                       |    |                       |
|---|----|-----------------------|----|-----------------------|
| Cash and cash equivalents                       | \$ | -                     | \$ | 1,494,544             |
| Restricted cash and investments (Note 4)        |    | 3,931,670             |    | 819,801               |
| Accounts receivable (Note 3)                    |    | 10,021,936            |    | 6,601,955             |
| Inventories                                     |    | 2,264,440             |    | 1,876,231             |
| Prepaid expenses                                |    | 1,302,508             |    | 948,891               |
|   |    | <u>17,520,554</u>     |    | <u>11,741,422</u>     |
| <b>Long-term receivables (Note 7)</b>           |    | <b>14,550,316</b>     |    | <b>14,275,668</b>     |
| <b>Restricted cash and investments (Note 4)</b> |    | <b>56,176,448</b>     |    | <b>61,506,814</b>     |
| <b>Capital assets (Note 5)</b>                  |    | <b>305,764,032</b>    |    | <b>245,419,271</b>    |
|   |    | <u>\$ 394,011,350</u> |    | <u>\$ 332,943,175</u> |

### Liabilities and Net Assets

#### Current

|   |    |                    |    |                    |
|---|----|--------------------|----|--------------------|
| Bank indebtedness (Note 6)                                  | \$ | 18,380,060         | \$ | 12,438,000         |
| Accounts payable and accrued liabilities                    |    | 17,534,352         |    | 19,978,116         |
| Accrued vacation pay and overtime                           |    | 4,652,600          |    | 3,906,756          |
| Deferred revenue  |    | 4,041,432          |    | 3,071,371          |
| Current portion of long-term debt (Note 8)                  |    | 305,833            |    | 193,333            |
| Current portion of obligations under capital lease (Note 9) |    | 79,108             |    | 120,318            |
|   |    | <u>44,993,385</u>  |    | <u>39,707,894</u>  |
| <b>Long-term debt (Note 8)</b>                              |    | <b>1,134,167</b>   |    | <b>765,000</b>     |
| <b>Obligations under capital lease (Note 9)</b>             |    | <b>218,896</b>     |    | <b>298,004</b>     |
| <b>Accrued benefits liability (Note 11)</b>                 |    | <b>5,414,100</b>   |    | <b>5,172,200</b>   |
| <b>Deferred capital contributions (Note 15)</b>             |    | <b>129,808,982</b> |    | <b>116,841,089</b> |
| <b>Long-term obligation - NBRHC (Note 12b)</b>              |    | <b>241,762,410</b> |    | <b>189,569,526</b> |
|   |    | <u>423,331,940</u> |    | <u>352,353,713</u> |

#### Commitments and Contingencies (Note 12)

#### Net Assets

|                                       |  |                       |  |                       |
|---------------------------------------|--|-----------------------|--|-----------------------|
| Invested in capital assets (Note 16a) |  | 14,536,860            |  | 11,963,086            |
| Unrestricted (deficiency)             |  | (43,857,450)          |  | (31,373,624)          |
|                                       |  | <u>(29,320,590)</u>   |  | <u>(19,410,538)</u>   |
|                                       |  | <u>\$ 394,011,350</u> |  | <u>\$ 332,943,175</u> |

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>2010</b>                          |   |                        | <b>2009</b>            |
|---------------------------------------|--------------------------------------|---|------------------------|------------------------|
|                                       | <b>Unrestricted<br/>(deficiency)</b> | <b>Invested in<br/>Capital Assets<br/>(Note 16)</b> | <b>Total</b>           | <b>Total</b>           |
| <b>Net assets</b> , beginning of year | <b>\$ (31,373,624)</b>               | <b>\$ 11,963,086</b>                                | <b>\$ (19,410,538)</b> | <b>\$ (12,571,268)</b> |
| Excess of expenses over revenues      | <b>(7,185,562)</b>                   | <b>(2,724,490)</b>                                  | <b>(9,910,052)</b>     | <b>(6,839,270)</b>     |
| Interfund transfers (Note 16b)        | <b>(5,298,264)</b>                   | <b>5,298,264</b>                                    | <b>-</b>               | <b>-</b>               |
| <b>Net assets</b> , end of year       | <b>\$ (43,857,450)</b>               | <b>\$ 14,536,860</b>                                | <b>\$ (29,320,590)</b> | <b>\$ (19,410,538)</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   | 2010                  | 2009           |
|---|-----------------------|----------------|
| <b>Revenues</b>   |                       |                |
| Ministry of Health and Long-Term Care /<br>Local Health Integration Network (Note 1)                        | <b>\$108,041,098</b>  | \$ 95,646,935  |
| Other patient revenues  | <b>8,237,031</b>      | 7,851,948      |
| Preferred accommodation   | <b>1,552,357</b>      | 1,869,433      |
| Parking   | <b>443,367</b>        | 446,340        |
| Other revenues and recoveries   | <b>14,273,634</b>     | 15,961,744     |
| Loss on disposal of assets  | -                     | (85,113)       |
| Amortization of deferred contributions<br>- furniture and equipment (Note 15)                               | <b>2,391,594</b>      | 2,296,167      |
| Administered programs (Note 20)   | <b>12,750,844</b>     | 11,358,604     |
|   | <b>147,689,925</b>    | 135,346,058    |
| <b>Expenses</b>   |                       |                |
| Salaries, wages and medical staff remuneration  | <b>85,816,493</b>     | 76,836,243     |
| Employee benefits (Note 11)   | <b>19,738,924</b>     | 17,848,694     |
| Other supplies and expenses   | <b>21,121,427</b>     | 18,149,809     |
| Interest and bank charges   | <b>84,190</b>         | 71,223         |
| Medical and surgical supplies   | <b>7,574,637</b>      | 6,658,539      |
| Drugs   | <b>5,397,378</b>      | 4,753,005      |
| Amortization - furniture and equipment  | <b>4,326,278</b>      | 4,239,618      |
| Administered programs (Note 20)   | <b>12,750,844</b>     | 11,358,604     |
|   | <b>156,810,171</b>    | 139,915,735    |
| <b>Excess of Expenses over Revenues<br/>before amortization of buildings and<br/>deferred contributions</b> | <b>(9,120,246)</b>    | (4,569,677)    |
| <b>Amortization of buildings and deferred contributions</b>   |                       |                |
| Amortization of deferred contributions - buildings (Note 15)  | <b>610,027</b>        | 486,563        |
| Amortization - buildings  | <b>(1,399,833)</b>    | (1,261,069)    |
|   | <b>(789,806)</b>      | (774,506)      |
| <b>Excess of Expenses over Revenues<br/>before other items</b>  | <b>(9,910,052)</b>    | (5,344,183)    |
| Transition costs (Note 18)  | <b>(4,491,656)</b>    | (2,142,727)    |
| Recovery of transition costs (Note 18)  | <b>4,491,656</b>      | 647,640        |
|   | -                     | (1,495,087)    |
| <b>Excess of Expenses over Revenues for the year</b>  | <b>\$ (9,910,052)</b> | \$ (6,839,270) |

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   | 2010                | 2009                 |
|---|---------------------|----------------------|
| <b>Cash provided by (used in)</b>                                       |                     |                      |
| <b>Operating activities</b>   |                     |                      |
| Excess of expenses over revenues for the year                           | \$ (9,910,052)      | \$ (6,839,270)       |
| Items not involving cash  |                     |                      |
| Amortization of capital assets  | 5,726,111           | 5,500,687            |
| Amortization of deferred contributions                                  | (3,001,621)         | (2,782,730)          |
| Loss on disposal of capital assets                                      | -                   | 85,113               |
| Accrued benefits expense  | 846,100             | 816,600              |
|   | <u>(6,339,462)</u>  | <u>(3,219,600)</u>   |
| Changes in non-cash working capital balances                            |                     |                      |
| Accounts receivable   | (3,419,981)         | (117,717)            |
| Inventories   | (388,209)           | 62,443               |
| Prepaid expenses  | (353,617)           | (96,680)             |
| Accounts payable and accrued liabilities                                | (2,443,764)         | 2,185,852            |
| Accrued vacation pay and overtime                                       | 745,844             | 838,415              |
| Deferred revenue  | 970,061             | 2,392,401            |
|   | <u>(11,229,128)</u> | <u>2,045,114</u>     |
| <b>Investing activities</b>   |                     |                      |
| Purchase of capital assets, net of disposals                            | (66,070,872)        | (114,630,516)        |
| Decrease (increase) in investments                                      | 2,218,497           | (11,541,212)         |
| Increase in long-term receivables                                       | (274,648)           | (155,528)            |
| Decrease in long-term donations receivable                              | -                   | 530,645              |
|   | <u>(64,127,023)</u> | <u>(125,796,611)</u> |
| <b>Financing activities</b>   |                     |                      |
| Repayment of long-term debt   | (193,333)           | (151,667)            |
| Repayment of obligations under capital lease                            | (120,318)           | (211,439)            |
| Increase in obligations under capital lease                             | -                   | 471,455              |
| Increase in long-term debt  | 675,000             | 250,000              |
| Increase in NBRHC obligation  | 52,192,884          | 103,510,525          |
| Increase in bank indebtedness   | 5,942,060           | 3,146,075            |
| Deferred contributions, donations and interest                          | 15,969,514          | 18,503,243           |
| Post employment benefits - funding contributions                        | (604,200)           | (527,100)            |
|   | <u>73,861,607</u>   | <u>124,991,092</u>   |
| <b>Increase (decrease) in cash and cash equivalents during the year</b> | <b>(1,494,544)</b>  | <b>1,239,595</b>     |
| <b>Cash and cash equivalents, beginning of year</b>                     | <b>1,494,544</b>    | <b>254,949</b>       |
| <b>Cash and cash equivalents, end of year</b>                           | <b>\$ -</b>         | <b>\$ 1,494,544</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, 2010**

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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.

On June 30, 2008, eight Community Mental Health programs and 22 support service departments were transferred from Northeast Mental Health Centre (NEMHC) to the Hospital. Also transferred were the staff and management of the 40 bed District Mental Health (DMH) program at NEMHC. Full responsibility for the patients in this program was transferred to the Hospital on June 1, 2009.

**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, 2010**

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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   |
| 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<br>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.

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, 2010**

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### **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 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 11).

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.

### **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, restricted cash and bank indebtedness have been classified as held-for-trading.

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## North Bay General Hospital Summary of Significant Accounting Policies

**March 31, 2010**

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### **Financial Instruments** (continued)

#### **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.

### **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.

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## North Bay General Hospital Summary of Significant Accounting Policies

March 31, 2010

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### 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.

### 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:

#### **Future for Not-for-Profit Organizations (NPO)**

In October 2009, the Accounting Standards Board (AcSB) tentatively decided that it will propose a choice between the accounting standards for Private Enterprises plus the current NPO standards appropriately modified to fit with those standards, International Financial Reporting Standards or Public Sector Accounting standards (PSAB) with NPO standards added on to PSAB. The Public Sector Accounting Board agreed that there was sufficient support to develop an NPO series to add onto the PSAB standards similar to the current NPO standards, but appropriately modified to fit with PSAB. The two boards have worked together and released an Exposure Draft in March 2010. Until the Boards make a final decision all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook – Accounting Part V – Pre-Changeover Standards. The two boards expect a final standards to be released late 2010 and become effective January 1, 2012.

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# North Bay General Hospital Notes to Financial Statements

**March 31, 2010**

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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 \$27.5 million at March 31, 2010 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 Hospital received an advance in the amount of \$35 million from the Northeast Local Health Integration Network (the "LHIN").

- b. Primary Funding Source - the Hospital receives 82% (79% - 2009) of its operating revenues from the Ministry of Health and Long Term Care ("MOHLTC")/"LHIN". The Hospital has signed a contract with the LHIN to extend the Hospital Service Accountability Agreement into the fiscal period ending March 31, 2011.
- 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 proposed future 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.

The Hospital has incurred costs related to transitioning and preparing for relocating its operations to the new hospital. Recovery of these amounts from the Hospital's primary funding body would be important to improving the financial position of the Hospital (see Note 18).

The Hospital has begun negotiations 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.

## North Bay General Hospital Notes to Financial Statements

March 31, 2010

### 2. Amalgamation

In November 2009, the Board of Directors of the Hospital and NEMHC declared an intention to amalgamate within three years. In January of 2011, both organizations will relocate to a new shared facility. Until official amalgamation, the co-ordination of support services will continue to increase. The amalgamation decision will require approval from the LHIN and MOHLTC.

### 3. Accounts Receivable

|   | 2010                 | 2009                |
|---|----------------------|---------------------|
| Ontario Ministry of Health and Long-Term Care /<br>Local Health Integration Network |                      |                     |
| - Operating   | \$ 2,610,899         | \$ 916,208          |
| Insurers and patients   | 2,385,136            | 2,141,351           |
| North Bay and District Hospital Foundation  | 425,571              | 422,585             |
| Municipal donations - short-term  | 1,273,644            | 1,308,133           |
| Other health care facilities / organizations  | 2,565,209            | 1,110,008           |
| Goods and services tax and other  | 761,477              | 703,670             |
|   | <b>\$ 10,021,936</b> | <b>\$ 6,601,955</b> |

### 4. Restricted Cash and Investments

Restricted cash and investments consist of cash of \$11,684,535 and bonds and GICs totalling \$48,423,583, recorded at amortized cost, bearing interest at rates ranging from .41% to 4.6%, maturing between April 2010 and September 2011.

|                   | 2010                 | 2009                 |
|-------------------|----------------------|----------------------|
| Current portion   | \$ 3,931,670         | \$ 819,801           |
| Long-term portion | 56,176,448           | 61,506,814           |
|                   | <b>\$ 60,108,118</b> | <b>\$ 62,326,615</b> |
| Fair value        | <b>\$ 60,149,112</b> | <b>\$ 62,385,227</b> |

## North Bay General Hospital Notes to Financial Statements

March 31, 2010

### 5. Capital Assets

|  | 2010                 |                             | 2009                 |                             |
|--|----------------------|-----------------------------|----------------------|-----------------------------|
|  | Cost                 | Accumulated<br>Amortization | Cost                 | Accumulated<br>Amortization |
| Land                                     | \$ 274,699           | \$ -                        | \$ 274,699           | \$ -                        |
| Buildings                                | 17,988,176           | 12,109,831                  | 15,157,344           | 10,942,113                  |
| Leasehold improvements                   | 39,794               | 21,590                      | 39,794               | 13,500                      |
| Equipment                                | 65,248,053           | 46,808,020                  | 60,755,593           | 42,615,075                  |
| Equipment under capital<br>leases        | 1,208,488            | 716,767                     | 1,208,488            | 448,432                     |
| Construction in<br>progress - CCAC       | -                    | -                           | 452,268              | -                           |
|  | <b>84,759,210</b>    | <b>59,656,208</b>           | <b>77,888,186</b>    | <b>54,019,120</b>           |
| North Bay Regional Health<br>Project:    |                      |                             |                      |                             |
| - Construction in<br>progress (Note 12b) | 279,881,030          | -                           | 220,770,205          | -                           |
| - Land - in trust (i)                    | 780,000              | -                           | 780,000              | -                           |
|  | <b>280,661,030</b>   | <b>-</b>                    | <b>221,550,205</b>   | <b>-</b>                    |
|  | <b>\$365,420,240</b> | <b>\$ 59,656,208</b>        | <b>\$299,438,391</b> | <b>\$ 54,019,120</b>        |
| Net book value                           |                      | <b>\$305,764,032</b>        |                      | <b>\$245,419,271</b>        |

- (i) 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 the Hospital and NEMHC 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.

### 6. Bank Indebtedness

The Hospital has an available unsecured line of credit of \$12,000,000, which increases to \$30,000,000 for the period between January 1 and April 30. This credit bears interest at the bank's prime lending rate less 0.50%. At year end, \$10,893,000 (2009 - \$12,438,000) of the line of credit was being used.

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## North Bay General Hospital Notes to Financial Statements

**March 31, 2010**

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### 7. Long-term Receivables

|                         | 2010          | 2009          |
|-------------------------|---------------|---------------|
| Municipal donations (i) | \$ 12,836,602 | \$ 13,231,265 |
| Recruitment loans (ii)  | 1,713,714     | 1,044,403     |
|                         | \$ 14,550,316 | \$ 14,275,668 |

(i) The Hospital has recognized future municipal contributions in connection with the North Bay Regional Health Centre (NBRHC) at the net present value of \$12,836,602 which approximates fair value.

(ii) These non-interest bearing recruitment loans are expected to be realized in the amounts of \$228,749, \$402,812, \$455,502, \$262,000 in fiscal 2011 to 2014 respectively with the remaining \$364,651 due thereafter.

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### 8. Long-term Debt

|  | 2010         | 2009       |
|--|--------------|------------|
| Recruitment loans, payable in annual installments,<br>interest payable monthly at the bank's prime lending<br>rate plus 0.25%, final installment due March 2016. | \$ 1,440,000 | \$ 958,333 |
| <b>Less:</b> Current portion   | 305,833      | 193,333    |
|  | \$ 1,134,167 | \$ 765,000 |



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## North Bay General Hospital Notes to Financial Statements

**March 31, 2010**

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

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

|            |                     |
|------------|---------------------|
| 2011       | \$ 305,833          |
| 2012       | 305,833             |
| 2013       | 289,167             |
| 2014       | 272,500             |
| 2015       | 154,167             |
| Thereafter | <u>112,500</u>      |
|            | <u>\$ 1,440,000</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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### 9. Obligations Under Capital Lease

The Hospital has entered into several capital lease agreements for medical equipment with a cost of \$1,208,488. Amortization on this equipment to date is \$716,767.

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

|                       |                   |
|-----------------------|-------------------|
| 2011                  | \$ 94,967         |
| 2012                  | 95,210            |
| 2013                  | 95,210            |
| 2014                  | <u>47,605</u>     |
|                       | 332,992           |
| Less imputed interest | <u>34,988</u>     |
|                       | 298,004           |
| Less current portion  | <u>79,108</u>     |
|                       | <u>\$ 218,896</u> |

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## North Bay General Hospital Notes to Financial Statements

March 31, 2010

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### 10. 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 \$592,830 (2009 - \$513,717). Of this amount, \$274,557 (2009 - \$252,080) was received during the year, and \$318,273 (2009 - \$261,637) is recorded as an account receivable.

During 2010, the Hospital received from the Foundation \$190,369 (2009 - \$354,013) for the purchase of capital assets. The Hospital also received \$2,036,902 (2009 - \$650,746) from the Foundation, for the NBRHC.

#### Other Entities

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

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 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.

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## North Bay General Hospital Notes to Financial Statements

March 31, 2010

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### 10. Disclosure of Significantly Influenced Not-for-Profit Corporations (continued)

In prior years the Laundry provided laundry and linen services to the Hospital. It was incorporated under the laws of the province of Ontario as a not-for-profit organization. The Laundry ceased to provide laundry and linen services to the Hospital during the 2008 fiscal year. The Hospital has advanced the Laundry a total of \$183,961 which is included in accounts receivable at year end.

Sudbury Hospital Services provided laundry services to the Hospital during the fiscal year for an amount of \$1,693,946 (2009 - \$1,620,280), including GST.

These transactions are measured at the exchange amount.

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### 11. 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

Substantially all employees of the Hospital are eligible to be members of the Healthcare 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 250,000 active and retired members and approximately 348 employers.

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 as at December 31, 2009 disclosed an actuarial surplus of \$536 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 \$6,991,123 (2009 - \$6,113,628).

## North Bay General Hospital Notes to Financial Statements

**March 31, 2010**

### 11. Accrued Benefits Liability (continued)

#### (b) Post Employment Benefits

At March 31, 2010, the Hospital's accrued benefit liability relating to post-employment benefits plans for extended health care, dental and life insurance is \$5,414,100 (2009 - \$5,172,200). 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                | 7.50%   |
| End of year                      | 5.50%   |
| Dental benefits cost escalation  | 4.0%  |
| Medical benefits cost escalation |   |
| - extended health care           | 9.0% in 2011; decreasing by 0.5%<br>per annum to an ultimate rate of 5.0% |

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

|  | 2010                | 2009         |
|--|---------------------|--------------|
| <b>Accrued benefit liability</b> - beginning of year | <b>\$ 5,172,200</b> | \$ 4,882,700 |
| Expense  | <b>846,100</b>      | 816,600      |
| Funding contributions                                | <b>(604,200)</b>    | (527,100)    |
| <b>Accrued benefit liability</b> - end of year       | <b>\$ 5,414,100</b> | \$ 5,172,200 |

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

|   | 2010              | 2009       |
|---|-------------------|------------|
| Accrual for services                          | <b>\$ 245,600</b> | \$ 289,500 |
| Interest on accrued benefits                  | <b>501,100</b>    | 398,000    |
| Actuarial losses (gains) during the year      | <b>53,100</b>     | 82,800     |
| Prior service cost adjustment during the year | <b>46,300</b>     | 46,300     |
|   | <b>\$ 846,100</b> | \$ 816,600 |

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## North Bay General Hospital Notes to Financial Statements

**March 31, 2010**

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### 11. Accrued Benefits Liability (continued)

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

|   | <u>2010</u>         | <u>2009</u>         |
|---|---------------------|---------------------|
| Accrued benefits obligation at year end | \$ 8,856,000        | \$ 6,737,500        |
| <b>Less:</b> Unamortized (gains)/losses |                     |                     |
| - Past service costs                    | 756,900             | 201,100             |
| - Experience (gains)/losses             | <u>2,685,000</u>    | <u>1,364,200</u>    |
| Accrued benefit liability at year end   | <u>\$ 5,414,100</u> | <u>\$ 5,172,200</u> |

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### 12. 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 \$305,856. The MOHLTC has committed to provide revenues to offset the lease payments.

The Hospital has entered into various other operating leases for property with annual lease payments totaling \$408,190 and also leases space on a month-to-month basis.

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## North Bay General Hospital Notes to Financial Statements

March 31, 2010

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### 12. 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 substantial completion date of June 14, 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 MOHLTC 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 2008 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. It is anticipated that principal payments of approximately \$3.1 million will be paid in the 2010/2011 fiscal year starting June 15, 2010.

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, 2010 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 \$241,762,410 (2009 - \$189,569,526) based on the final cost sharing formula.

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# North Bay General Hospital Notes to Financial Statements

March 31, 2010

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## 12. Commitments and Contingencies (continued)

### c. Contingencies

#### Legal and Litigation Matters

In the normal course of business 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. Management is of the opinion that these matters are mitigated by adequate insurance coverage.

During 2009 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.

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## 13. 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 long-term obligation - NBRHC.

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 value of long-term recruitment loans is not reasonably determinable.

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

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## North Bay General Hospital Notes to Financial Statements

March 31, 2010

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### 13. Financial Instruments (continued)

#### b. Risks arising from Financial Instruments

##### Credit Risk

The Hospital's cash and restricted 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 4.80% (2009 - 3.73% to 4.80%). The average interest rate at the end of the year was 2.15% (2009 - 4.34%) with investments maturing between one month and eighteen months.

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### 14. 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.



## North Bay General Hospital Notes to Financial Statements

March 31, 2010

### 15. 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:

|   | 2010                 | 2009           |
|---|----------------------|----------------|
| <b>Balance</b> , beginning of year                                    | <b>\$116,841,089</b> | \$ 98,186,336  |
| <b>Less:</b> Deferred contributions amortized to revenue              |                      |                |
| - furniture and equipment   | (2,391,594)          | (2,296,167)    |
| - buildings   | (610,027)            | (486,563)      |
| Building and equipment contributions,<br>and interest during the year | <b>15,969,514</b>    | 21,437,483     |
| <b>Balance</b> , end of year (i)                                      | <b>\$129,808,982</b> | \$ 116,841,089 |

(i) Includes \$73,967,789 (2009 - \$76,821,513), in contributions receivable and investments.

### 16. Invested in Capital Assets

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

|  | 2010                 | 2009          |
|--|----------------------|---------------|
| Capital assets, net book value,<br>excluding NBRHC project | <b>\$ 25,103,002</b> | \$ 23,869,067 |
| - deferred capital contributions                           | <b>(10,566,142)</b>  | (11,905,981)  |
|  | <b>\$ 14,536,860</b> | \$ 11,963,086 |

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## North Bay General Hospital Notes to Financial Statements

March 31, 2010

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### 16. Invested in Capital Assets (continued)

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

|  | 2010           | 2009           |
|--|----------------|----------------|
| <b>Excess of Expenses over Revenues</b>                                  |                |                |
| Amortization of deferred contributions<br>- furniture and equipment      | \$ 2,391,594   | \$ 2,296,167   |
| Amortization of deferred contributions<br>- buildings                    | 610,027        | 486,563        |
| Amortization - furniture and equipment                                   | (4,326,278)    | (4,239,618)    |
| Amortization - buildings   | (1,399,833)    | (1,261,069)    |
|  | \$ (2,724,490) | \$ (2,717,957) |
| <b>Invested in Capital Assets</b>  |                |                |
| Purchase of capital assets,<br>excluding NBRHC project, net of disposals | \$ 6,960,047   | \$ 5,484,066   |
| Amounts funded by deferred contributions                                 | (1,661,783)    | (3,780,136)    |
|  | \$ 5,298,264   | \$ 1,703,930   |

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### 17. Measurement Uncertainties

The Health Services Restructuring Commission has directed 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.

## North Bay General Hospital Notes to Financial Statements

**March 31, 2010**

### 18. Transition Costs

During the year, the Hospital incurred transition costs in the amount of \$4,491,656 (2009 - \$2,142,727) as it works towards 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 \$4,823,530 with respect to costs incurred in the current year and accordingly has recognized recoveries in the amount of \$4,491,656 (2009 - \$647,640) and deferred revenue of \$331,874 (2009 - \$2,360).

### 19. Comparative Figures

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

### 20. Administered Programs

|  | 2010              | 2009              |
|--|-------------------|-------------------|
| <b>Revenues</b>                                      |                   |                   |
| Land ambulance service                               | \$ 4,256,664      | \$ 3,747,618      |
| CACC ambulance dispatch                              | 1,934,428         | 1,476,021         |
| Base hospital  | -                 | 282,031           |
| Mental health and addictions                         | 5,628,771         | 4,985,917         |
| Diabetes centre - Nipissing district                 | 725,404           | 668,263           |
| French language services                             | 205,577           | 198,754           |
|  | <b>12,750,844</b> | <b>11,358,604</b> |
| <b>Expenses</b>                                      |                   |                   |
| Land ambulance service                               | 4,256,664         | 3,747,618         |
| CACC ambulance dispatch                              | 1,934,428         | 1,476,021         |
| Base hospital  | -                 | 282,031           |
| Mental health and addictions                         | 5,628,771         | 4,985,917         |
| Diabetes centre - Nipissing district                 | 725,404           | 668,263           |
| French language services                             | 205,577           | 198,754           |
|  | <b>12,750,844</b> | <b>11,358,604</b> |
| <b>Excess of Revenues over Expenses for the year</b> | <b>\$ -</b>       | <b>\$ -</b>       |