

Financial Statements of

**HÔPITAL RÉGIONAL DE
SUDBURY REGIONAL HOSPITAL**

Year ended March 31, 2005



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AUDITORS' REPORT TO THE MEMBERS

We have audited the statement of financial position of **Hôpital Régional de Sudbury Regional Hospital** as at March 31, 2005 and the statements of operations, changes in deficiency in net assets 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, 2005 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Sudbury, Canada

May 13, 2005

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Statement of Financial Position

March 31, 2005, with comparative figures for 2004

	2005	2004 (restated)
Assets		
Current assets:		
Accounts receivable (note 2)	\$ 18,325,952	15,070,065
Inventories	3,141,840	3,126,353
Prepayments	2,279,388	1,585,238
	<u>23,747,180</u>	<u>19,781,656</u>
Grant receivable (note 3)	9,022,087	–
Long-term receivables (note 4)	738,344	738,344
Capital assets (note 5)	201,840,477	184,112,460
	<u>\$ 235,348,088</u>	<u>204,632,460</u>

Liabilities, Deferred Contributions and Deficiency in Net Assets

Current liabilities:		
Bank indebtedness (note 6)	\$ 7,347,172	29,273,609
Accounts payable and accrued liabilities (note 7)	64,723,046	46,076,349
Current portion of long-term obligations	405,507	391,063
	<u>72,475,725</u>	<u>75,741,021</u>
Deferred contributions (note 8)	1,986,571	1,517,049
Deferred capital contributions (note 9)	185,025,457	152,898,780
Long-term obligations (note 10)	7,339,805	7,449,153
Deficiency in net assets	(31,479,470)	(32,973,543)
Contingencies and commitments (note 15)		
	<u>\$ 235,348,088</u>	<u>204,632,460</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Statement of Operations

Year ended March 31, 2005, with comparative figures for 2004

	2005	2004 (restated)
Revenue:		
Ministry of Health and Long-Term Care	\$ 208,464,124	199,569,686
Cancer Care Ontario	20,853,667	4,581,088
Other Vote programs	8,213,065	8,038,092
Patient services	21,159,841	21,007,946
Other	15,167,539	11,842,366
Amortization - deferred capital contributions for equipment (note 9)	3,726,039	3,242,697
	<u>277,584,275</u>	<u>248,281,875</u>
Expenses:		
Salaries and wages	136,826,719	123,673,083
Employee benefits	35,908,817	30,823,853
Medical staff remuneration	16,699,494	14,943,638
Medical and surgical	20,510,533	18,722,724
Drugs	13,119,818	10,478,282
Supplies and other	35,286,883	31,224,115
Other Vote programs	8,138,764	8,156,252
Depreciation - equipment	6,917,546	6,789,769
	<u>273,408,574</u>	<u>244,811,716</u>
	<u>4,175,701</u>	<u>3,470,159</u>
Restructuring (note 15(c)):		
Costs	(1,720,910)	(2,222,913)
Net recoveries	—	19,850
	<u>(1,720,910)</u>	<u>(2,203,063)</u>
Excess of revenue over expenses before the undernoted	2,454,791	1,267,096
Depreciation - buildings and site services	(2,673,332)	(2,642,955)
Amortization - deferred capital contributions for buildings and site services (note 9)	1,589,395	1,588,020
Share in earnings of related entity	123,219	88,145
Excess of revenue over expenses	\$ 1,494,073	300,306

See accompanying notes to financial statements.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Statement of Changes in Deficiency in Net Assets

Year ended March 31, 2005, with comparative figures for 2004

	Equity in Capital Assets	Unrestricted	2005 Total	2004 Total (restated)
Net assets (deficiency), beginning of year	\$ 28,921,804	(61,895,347)	(32,973,543)	(33,273,849)
Excess (deficiency) of revenue over expenses (note 11)	(4,275,444)	5,769,517	1,494,073	300,306
Invested in capital assets (note 11)	(9,452,025)	9,452,025	–	–
Net assets (deficiency), end of year	\$ 15,194,335	(46,673,805)	(31,479,470)	(32,973,543)

See accompanying notes to financial statements.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Statement of Cash Flows

Year ended March 31, 2005, with comparative figures for 2004

	2005	2004 (restated)
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 1,494,073	300,306
Adjustments for:		
Depreciation	9,590,878	9,351,655
Amortization of deferred capital contributions	(5,315,434)	(4,830,717)
Amortization of accrued benefits obligation	401,288	337,400
Loss (gain) on disposal of capital assets	(25,646)	81,070
	6,145,159	5,239,714
Change in non-cash working capital (note 14)	14,681,173	25,913,143
	20,826,332	31,152,857
Cash flows from investing and financing activities:		
Additions to capital assets:		
- capital expansion project-building	(4,917,284)	(5,127,817)
- capital expansion project-equipment	(5,613,936)	-
- other	(16,787,675)	(7,375,939)
Increase in deferred contributions	469,522	1,517,049
Increase in deferred capital contributions	37,442,111	3,350,788
Decrease in long-term obligations	(496,192)	(175,501)
Proceeds on disposal of capital assets	25,646	141,896
Grant receivable	(9,022,087)	-
Decrease (increase) in long-term receivable	-	(738,344)
	1,100,105	(8,407,868)
Net increase in cash	21,926,437	22,744,989
Bank indebtedness, beginning of year	(29,273,609)	(52,018,598)
Bank indebtedness, end of year	\$ (7,347,172)	(29,273,609)

See accompanying notes to financial statements.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2005

The Hôpital Régional de Sudbury Regional Hospital (the "Hospital") was incorporated under the laws of Ontario on June 30, 1997 and is exempt from income taxes under Section 149.1 of the Income Tax Act.

1. Significant accounting policies:

(a) Revenue recognition:

The Hospital accounts for contributions, which include donations and government grants, under the deferral method of accounting as follows:

Operating grants are recorded as revenue in the period to which they relate.

Grants and donations relating to future periods are deferred and recognized in the subsequent period when the related activity occurs.

Grants and donations approved but not received are accrued.

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

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

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

(b) Inventories:

Inventories are stated at the lower of cost and net realizable value.

(c) Capital assets:

Capital assets are stated at cost. Depreciation is provided on the straight-line basis at the following range of annual rates:

Buildings and site services	2 - 10%
Furniture and equipment	5 - 20%
Information technology	20 - 33%

In the year of acquisition, depreciation is provided at one-half of the rates otherwise charged.

The assets under capital lease and the energy services agreement are being amortized on the straight-line basis over the agreement terms of 10 and 20 years.

Depreciation of projects in progress is provided as and when the facilities come into use.

Certain renovation costs to adapt the facilities to change operating conditions or to maintain normal operating efficiency are expensed as incurred.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2005

1. Significant accounting policies (continued):

(d) Related entities:

The notes to financial statements include information of the following entities (note 13):

Sudbury Regional Hospital Foundation
Northern Cancer Research Foundation
Association des bénévoles HRSRH Volunteer Association
Sudbury Hospital Services
Sudbury Vascular Laboratory

The investment in the wholly-owned entity, Sudbury Vascular Laboratory is accounted for by the equity method. The other entities are not consolidated.

(e) Employee future benefits:

The Hospital has adopted the transitional method of recognizing the accrued benefits obligation. The retrospective method has been applied, resulting in the transitional obligation of \$4.035 million recognized fully as a long term obligation.

(f) 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.

(g) Funding adjustments:

The Hospital receives grants from the Ministry of Health and Long-Term Care (MOHLTC) for specific services. Pursuant to the related agreements, if the Hospital does not meet specified levels of activity, the MOHLTC is entitled to seek refunds. Should any amounts become refundable, the refunds would be charged to operations in the period in which the refund is determined to be payable. Should programs and activities incur a deficit, the Hospital records any recoveries thereon in the period in which collection is received.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2005

1. Significant accounting policies (continued):

(h) Change in accounting policy:

On April 1, 2004, the Hospital changed its accounting policy in accordance with Section 3461 of the CICA Handbook, *Employee Future Benefits*. The transitional obligation is being applied retroactively with restatement. The impact on the 2004 financial statements includes elimination of amounts previously reported for employee benefit expense of \$366,800 and increases in the accrued benefit obligation of \$2,567,800 and the opening net asset deficiency of \$2,934,600.

	2004
Net assets (deficiency), beginning of year:	
As previously reported	\$ 30,339,249
Adjustment to reflect change in accounting policy	2,934,600
Net asset deficiency, beginning of the year with restatement	\$ 33,273,849

2. Accounts receivable:

	2005	2004
Ministry of Health and Long-Term Care	\$ 10,809,722	8,718,748
Patients and clients	5,073,186	4,365,422
Cancer Care Ontario	556,484	390,526
Canada Revenue Agency (GST)	1,048,278	580,559
Other	1,402,282	1,846,310
	18,889,952	15,901,565
Less allowance for doubtful accounts	(564,000)	(831,500)
	\$ 18,325,952	15,070,065

3. Grant receivable:

The grant receivable is from the MOHLTC for work completed on Phase I and II of the capital expansion project. It is based on their 80% commitment of eligible capital expenditures.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2005

4. Long-term receivables:

	2005	2004
Cancer Care Ontario	\$ 438,344	438,344
Sudbury and District Energy Corporation (SDEC)	300,000	300,000
	\$ 738,344	738,344

5. Capital assets:

	2005		2004	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Property	\$ 1,713,794	–	1,713,793	–
Site services	2,275,953	2,275,953	2,275,953	2,264,413
Buildings	75,371,007	38,417,657	75,113,632	36,023,378
Furniture and equipment	106,579,155	83,855,180	96,205,915	81,757,625
Information technology	16,883,780	10,102,739	12,316,680	7,666,082
Assets under capital leases	3,510,634	941,651	3,510,634	696,807
Capital project equipment	7,557,007	1,317,182	1,943,071	501,138
Projects in progress	124,859,509	–	119,942,225	–
	338,750,839	136,910,362	313,021,903	128,909,443
Less accumulated depreciation	136,910,362		128,909,443	
	\$ 201,840,477		184,112,460	

6. Bank indebtedness:

	2005	2004
Bridge loan	\$ 19,056,218	35,000,000
Cash	(11,709,046)	(5,726,391)
	\$ 7,347,172	29,273,609

The Hospital has arranged for credit facilities which include a demand operating line to \$15 million and a bridge loan to \$35 million. The facilities bear interest at banker's prime rate less .75%. Subsequent to March 31, 2005, the bridge loan facility was fully paid and expired.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2005

7. Accounts payable and accrued liabilities:

	2005	2004
Accounts payable and accrued liabilities:		
- operating	\$ 19,506,150	18,947,815
- capital equipment	5,311,041	1,282,498
- MOHLTC	2,074,782	1,197,857
- St. Joseph's Health Centre	1,200,000	-
- capital expansion project - building	251,291	460,039
- capital expansion project - equipment	1,695,865	-
Payroll accruals:		
- salaries and wages	17,846,222	11,895,267
- vacation pay	8,627,626	8,087,726
- sick leave	1,378,032	1,967,101
Deferred revenue - MOHLTC	4,364,843	-
Deferred revenue - Cancer Care Ontario	2,467,194	2,238,046
	\$ 64,723,046	46,076,349

8. Deferred contributions:

Deferred contributions represent unspent externally restricted grants for research and other purposes. The changes in the deferred contributions balance are as follows:

	2005	2004
Balance, beginning of year	\$ 1,517,049	-
Contributions received	2,255,017	2,047,184
Amounts taken to revenue	(1,785,495)	(530,135)
Balance, end of year	\$ 1,986,571	1,517,049

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2005

9. Deferred capital contributions:

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

	2005	2004
Balance, beginning of year	\$ 152,898,780	154,378,709
Additional contributions		
Equipment:		
Ministry of Health and Long-Term Care	8,499,657	2,197,000
FedNor	1,091,500	320,892
Cancer Care Ontario	793,513	-
Sudbury Regional Hospital Foundation	392,476	102,220
Other	182,451	13,912
	10,959,597	2,634,024
Capital expansion project:		
Ministry of Health and Long-Term Care - building	18,322,087	-
Ministry of Health and Long-Term Care - equipment	5,461,293	-
Sudbury Regional Hospital Foundation	2,000,000	-
City of Greater Sudbury	699,134	698,269
Interest earned	-	18,495
	26,482,514	716,764
	37,442,111	3,350,788
Less amounts amortized to revenue	(5,315,434)	(4,830,717)
Balance, end of year	\$ 185,025,457	152,898,780

The balance of unamortized and unspent funds consist of the following:

	2005	2004
Unamortized	\$ 184,732,751	152,781,073
Unspent:		
Equipment	292,706	117,707
	\$ 185,025,457	152,898,780

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2005

10. Long-term obligations:

	2005	2004
YMCA Centre for Life - capital lease	\$ 639,538	898,102
SDEC - energy services agreement	1,273,852	1,511,480
Accrued benefits obligation	5,831,922	5,430,634
	7,745,312	7,840,216
Less current portion	405,507	391,063
	\$ 7,339,805	7,449,153

(a) Pursuant to a lease agreement dated July 14, 2000, the Hospital leases space for rehabilitation and treatment at the YMCA Centre for Life. The lease, which has a term of ten years, requires a basic rent and additional rent for the Hospital's share for facility operating costs and common area charges. There is an option for accelerated payments on the obligation. At the end of the term, the annual basic rental is \$1. The additional rent amounts to a maximum annual charge of \$66,000 plus a 4% escalator for years two to ten inclusive.

(b) Pursuant to an Energy Services Agreement dated October 25, 2000, and amended August 7, 2003, with the Sudbury District Energy Corporation ("SDEC"), the Hospital has acquired the rights for use of certain energy assets located at the Laurentian site over a 20 year term. The effect of the amendment was to increase the monthly financing payments to \$25,000 from \$12,500 and decrease the amortization period from 20 to 10 years. The impact was an increase in the lease obligation by approximately \$471,000. Since the Hospital has the option to purchase a portion of the energy assets for \$1 on expiration of the agreement, the financing payments have been capitalized.

(c) Employee future benefits:

The Hospital sponsors a post retirement defined benefit plan for medical, life insurance and dental benefits for substantially all employees excepting those subject to the Ontario Nurses Association contract.

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

	2005	2004
Balance, beginning of year	\$ 5,430,634	5,070,034
Add: Benefit Costs	448,300	448,300
	5,878,934	5,518,334
Less: Benefit contributions	47,012	87,700
	\$ 5,831,922	5,430,634

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2005

10. Long-term obligations:

(c) Employee future benefits (continued):

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

	2005	2004
Discount rate	6.0%	6.0%
General inflation	3.0%	3.0%
Dental Cost trend rates	4.5%	4.5%
Extended Health Care Trend Rates	9.5%	10.5%

(d) Details of the future minimum payments by year end in aggregate, based on discount rates of 4.5% and 6% for the YMCA and SDEC agreements respectively, are as follows:

2006	\$ 506,400
2007	506,400
2008	506,400
2009	370,852
2010	300,000
Thereafter to 2012	500,000
Total minimum payments	2,690,052
Less amounts representing interest	776,662
Present value of net minimum payments	1,913,390
Less current portion	405,507
Non current portion	\$ 1,507,883

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2005

11. Equity in capital assets:

(a) The equity in capital assets is calculated as follows:

	2005	2004
Capital assets, net book value	\$ 201,840,477	184,112,459
Amounts financed by:		
- deferred capital contributions	(184,732,751)	(152,781,073)
- capital lease obligations	(1,913,391)	(2,409,582)
	\$ 15,194,335	28,921,804

(b) The changes in equity in capital assets are calculated as follows:

Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	\$ 5,315,434	4,830,717
Depreciation and amortization	(9,590,878)	(9,351,655)
	\$ (4,275,444)	(4,520,938)
Invested in capital assets:		
Amounts funded by deferred capital contributions	\$ (37,267,112)	(3,350,788)
Purchase of capital assets	27,318,895	12,503,756
Reduction of capital lease obligations	496,192	646,670
Amounts financed by capital lease obligations	-	(471,170)
Proceeds on disposal of capital assets	(25,646)	(141,896)
Gain (loss) on disposal of capital assets	25,646	(81,070)
	\$ (9,452,025)	9,105,502

12. Pension plan:

Substantially all of the employees of the Hospital are members of the Hospitals of Ontario Pension Plan (the "Plan") which is a multi-employer defined benefit plan. Contributions to the Plan made during the year on behalf of employees amounted to \$10,504,827 (2004 - \$8,811,100) and are included in employee benefits in the statement of operations. The most recent actuarial valuation of the Plan as at April 1, 2004 indicates that the Plan is fully funded on a solvency basis.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2005

13. Other entities:

(a) Foundations and Volunteer Association:

The Sudbury Regional Hospital Foundation was created for the purpose of promoting and participating in fundraising programs in order to raise money for capital projects and to assist in undertaking all phases of medical research.

The Northern Cancer Research Foundation was created for the purpose of promoting and participating in fundraising activities throughout the northeastern Ontario region to support cancer research and cancer care programs of the Regional Cancer Program.

The Association des bénévoles HRSRH Volunteer Association was created for the purpose of promoting and participating in fundraising activities in order to raise money for capital equipment, health related community projects and volunteer activities.

Pertinent financial information of the Foundations and Volunteer Association as at and for the year ended March 31 is as follows:

	Sudbury Regional Hospital Foundation		Northern Cancer Research Foundation		HRSRH Volunteer Association	
	2005	2004	2005	2004	2005	2004
Financial position:						
Total assets	\$ 8,898,815	9,678,919	2,957,570	2,916,807	304,933	176,428
Total liabilities	\$ 266,445	5,980	79,182	65,321	51,559	38,999
Net assets	8,632,370	9,672,939	2,878,388	2,851,486	253,374	137,429
	\$ 8,898,815	9,678,919	2,957,570	2,916,807	304,933	176,428
Results of operations:						
Total revenue	\$ 2,442,820	2,804,544	2,155,308	2,241,576	184,340	185,172
Total expenses	3,483,389	927,081	2,128,406	1,623,677	68,395	195,365
Net revenue (deficiency)	\$ (1,040,569)	1,877,463	26,902	617,899	252,735	(10,193)

During the year, the Hospital received capital donations amounting to \$2,392,476 (2004 - \$102,220) from the Sudbury Regional Hospital Foundation.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2005

13. Other entities (continued):

(b) Sudbury Hospital Services and Sudbury Vascular Laboratory Ltd.:

Sudbury Hospital Services was created to provide steam and laundry services to the Hospital.

Sudbury Vascular Laboratory Ltd was created to operate a vascular laboratory.

Pertinent summary financial information of Sudbury Hospital Services and Sudbury Vascular Laboratory Ltd. as at and for the year ended March 31 are as follows:

	Sudbury Hospital Services		Sudbury Vascular Laboratory	
	2005	2004	2005	2004
Financial position:				
Total assets	\$ 3,166,694	3,082,677	535,991	533,276
Total liabilities	\$ 312,809	257,519	544,527	665,031
Net assets (deficiency)	2,853,885	2,825,158	(8,536)	(131,755)
	\$ 3,166,694	3,082,677	535,991	533,276
Results of operations:				
Total revenue	\$ 3,625,283	3,573,703	832,120	730,751
Total expenses	3,596,556	3,503,416	680,377	623,344
Income taxes (recovery)	—	—	28,524	19,262
Excess of revenue over expenses	\$ 28,727	70,287	123,219	88,145
Cash flows:				
Cash from operations	\$ 422,628	305,154	133,220	129,046
Cash from (used in) financing and investing activities	—	(435,539)	(146,438)	182,776
Increase (decrease) in cash	\$ 422,628	(130,385)	(13,218)	311,822

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2005

14. Change in non-cash working capital:

	2005	2004
Accounts receivable	\$ (3,255,887)	17,674,527
Inventories	(15,487)	30,900
Prepayments	(694,150)	(263,750)
Accounts payable and accrued liabilities	18,646,697	8,471,466
	\$ 14,681,173	25,913,143

15. Contingencies and commitments:

(a) Capital assets:

The Hospital assets currently held may be disposed of or may become redundant to the ongoing operations as and when the single site amalgamation of operations occurs.

Any resulting gains or losses on the disposition or write-down of the Hospital's assets and any adjustments to deferred capital contributions will be accounted for as an adjustment to equity and capital assets in the period in which the site amalgamation plans are finalized.

(b) Capital expansion project:

The Hospital is in progress of completing the expansion of its facilities at the Laurentian site. On May 31, 2004, the Province announced its commitment to support the completion of the Project to 80% of the eligible capital expenditures.

Costs associated with the capital expansion project are capitalized as incurred. The project funding and eligibility of costs is subject to a process involving project approval, submission of a final estimate of cost and a closing capital cost audit at which time, the eligibility of all costs for capital asset recognition and funding would be determined.

(c) Restructuring costs and recoveries:

Effective April 1, 2003, the MOHLTC is no longer funding eligible restructuring costs.

(d) Legal suits and claims:

The Hospital is involved in certain legal matters and litigation, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved. Management is of the opinion that these matters are mitigated by adequate insurance coverage.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2005

16. Other information:

(a) Operational review and recovery plan:

The MOHLTC completed the operational review of the Hospital and published a final report of recommendations. As a result of the operational review, the Hospital has developed a three-to-five year recovery plan that should:

- result in a balanced HRSRH operating budget
- allow for the completion of the capital project
- address the working capital deficiency

The MOHLTC has committed to flow \$15 million to the Hospital on a one time recurring basis subject to achieving the recovery plan targets. The Hospital has met the targets for 2002/2003 along with 2003/2004 and has secured the \$15 million for 2005/2006 subject to meeting the conditions of the recovery plan. The achievement of the recovery plan targets for 2004/2005 targeted savings will be reviewed with the MOHLTC.

(b) Cancer Care Integration:

Cancer Care Ontario and the Hospital entered into an agreement to integrate the Regional Cancer Program (RCP) with the Hospital. The integration occurred on January 1, 2004 and involved the transfer of assets, liabilities, programs and employees.

The Hospital's results at March 31, 2005 include twelve months of the RCP's financial results while the comparator year includes three months.

The Regional Cancer Program offers a full continuum of systemic, radiation, supportive, palliative, preventative and research branches within its integrated cancer program.

17. Fair value of financial assets and liabilities:

The carrying values of accounts receivable, bank indebtedness, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

The fair value of the Hospital's long-term obligations which includes a capital lease and an energy services agreement approximate the carrying values of approximately \$.9 million and \$1.5 million respectively. Fair values of such instruments are calculated using the future cash flows (principal and interest) of the actual outstanding debt instruments, discounted at current market rates available to the Hospital for the same or similar instruments.

18. Comparative figures:

Certain 2004 comparative figures have been reclassified to conform with the presentation adopted for 2005.