

Financial Statements of

**HÔPITAL RÉGIONAL DE
SUDBURY REGIONAL HOSPITAL**

Year ended March 31, 2007



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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, 2007 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, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Sudbury, Canada

May 11, 2007, except as to
note 16(c), which is dated June 6, 2007

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Statement of Financial Position

March 31, 2007, with comparative figures for 2006

	2007	2006
Assets		
Current assets:		
Accounts receivable (note 2)	\$ 8,238,173	9,452,036
Inventories	3,617,268	3,072,932
Prepayments	3,084,344	3,083,793
	<u>14,939,785</u>	<u>15,608,761</u>
Grant receivable (note 3)	17,016,048	14,108,059
Long-term receivables (note 4)	738,344	738,344
Capital assets (note 5)	222,251,320	211,981,408
	<u>\$ 254,945,497</u>	<u>242,436,572</u>

Liabilities, Deferred Contributions and Deficiency in Net Assets

Current liabilities:		
Bank indebtedness (note 6)	\$ 2,127,623	13,355,599
Accounts payable and accrued liabilities (note 7)	74,899,193	60,026,528
Current portion of long-term obligations (note 10)	397,892	401,148
	<u>77,424,708</u>	<u>73,783,275</u>
Deferred contributions (note 8)	1,909,130	1,947,002
Deferred capital contributions (note 9)	200,515,150	190,706,727
Long-term obligations (note 10)	7,257,640	7,181,952
Deficiency in net assets	(32,161,131)	(31,182,384)
Contingencies (note 15)		
Subsequent events (note 16)		
	<u>\$ 254,945,497</u>	<u>242,436,572</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, 2007, with comparative figures for 2006

	2007	2006
Revenue:		
Ministry of Health and Long-Term Care	\$ 226,316,097	216,943,942
Cancer Care Ontario	24,808,278	23,887,346
Other Vote programs	9,109,972	8,799,650
Patient services	24,958,295	23,004,131
Other	20,438,196	16,731,212
Amortization - deferred capital contributions for equipment (note 9)	4,906,473	4,524,095
	<u>310,537,311</u>	<u>293,890,376</u>
Expenses:		
Salaries and wages	152,215,476	142,450,274
Employee benefits	39,667,061	38,809,260
Medical staff remuneration	18,471,026	17,703,591
Supplies and other	39,129,979	36,953,135
Medical and surgical	22,996,328	22,152,945
Drugs	16,756,565	15,210,144
Other Vote programs	9,092,792	8,736,386
Depreciation - equipment	10,657,014	8,918,391
	<u>308,986,241</u>	<u>290,934,126</u>
	1,551,070	2,956,250
Transitional costs	(1,378,462)	(1,583,430)
Excess of revenue over expenses before the undernoted	172,608	1,372,820
Depreciation - buildings and site services	(2,841,994)	(2,704,423)
Amortization - deferred capital contributions for buildings and site services (note 9)	1,610,112	1,564,970
Share in earnings of related entity	80,527	63,719
Excess (deficiency) of revenue over expenses	\$ (978,747)	297,086

See accompanying notes to financial statements.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Statement of Changes in Deficiency in Net Assets

Year ended March 31, 2007, with comparative figures for 2006

	Equity in Capital Assets	Unrestricted	2007 Total	2006 Total
Net assets (deficiency), beginning of year	\$ 20,957,527	(52,139,911)	(31,182,384)	(31,479,470)
Excess (deficiency) of revenue over expenses (note 11)	(6,939,043)	5,960,296	(978,747)	297,086
Invested in capital assets (note 11)	7,134,794	(7,134,794)	–	–
Net assets (deficiency), end of year	\$ 21,153,278	(53,314,409)	(32,161,131)	(31,182,384)

See accompanying notes to financial statements.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	\$ (978,747)	297,086
Adjustments for:		
Depreciation	13,455,627	11,617,900
Amortization of deferred capital contributions	(6,516,584)	(6,089,065)
Amortization of accrued benefits obligation	473,581	243,297
Loss (gain) on disposal of capital assets	7,491	(22,266)
	6,441,368	6,046,952
Change in non-cash working capital (note 14)	15,541,641	3,441,901
	21,983,009	9,488,853
Cash flows from investing and financing activities:		
Additions to capital assets:		
- capital expansion project-building	(3,489,640)	(6,202,079)
- capital expansion project-equipment	(1,413,005)	(1,625,931)
- other	(18,913,523)	(13,933,605)
Decrease in deferred contributions	(37,872)	(39,569)
Increase in deferred capital contributions	16,325,007	11,770,335
Decrease in long-term obligations	(401,149)	(405,508)
Proceeds on disposal of capital assets	83,138	25,049
Increase in grant receivable	(2,907,989)	(5,085,972)
	(10,755,033)	(15,497,280)
Net increase (decrease) in cash	11,227,976	(6,008,427)
Bank indebtedness, beginning of year	(13,355,599)	(7,347,172)
Bank indebtedness, end of year	\$ (2,127,623)	(13,355,599)

See accompanying notes to financial statements.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2007

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 of the Income Tax Act.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

(a) Revenue recognition:

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

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

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

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

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

(b) Inventories:

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

Purchases of Tamiflu vaccine for pandemic purposes are expensed in the year of purchase. During 2007, the Hospital purchased \$525,000 of Tamiflu vaccine which has been recorded as an expense in the Statement of Operations.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2006

1. Significant accounting policies (continued):

(c) Capital assets:

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

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

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.

(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 Ltd.

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

(e) Employee future benefits:

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

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2007

1. Significant accounting policies (continued):

(e) Employee future benefits (continued):

Actuarial gains (losses) arise from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10 percent of the accrued benefit obligation is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the employee benefit plan is 15 years (2006 - 11 years).

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

(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 date of the financial statements and the reported amounts of revenues and expenses during the periods specified. 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.

(h) Transitional costs:

During the transition period to the one site facility, the Hospital has incurred significant expenditures related to the operation of multiple sites. These costs are not part of the Hospital's normal operating costs and are therefore separately identified.

(i) Contributed services:

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

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2007

2. Accounts receivable:

	2007	2006
Ministry of Health and Long-Term Care	\$ 1,021,047	2,419,615
Patients and clients	5,870,678	5,731,308
Cancer Care Ontario	316,300	248,992
Canada Revenue Agency (GST)	740,693	517,605
Other	1,698,455	1,443,516
	9,647,173	10,361,036
Less allowance for doubtful accounts	(1,409,000)	(909,000)
	\$ 8,238,173	9,452,036

3. Grant receivable:

The grant receivable is from the MOHLTC for work completed on Phase I and II of the capital expansion project. Funding is based on a cost sharing formula that varies between 80-100% of eligible capital expenditures.

4. Long-term receivables:

	2007	2006
Cancer Care Ontario	\$ 438,344	438,344
Sudbury and District Energy Corporation (SDEC)	300,000	300,000
	\$ 738,344	738,344

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2007

5. Capital assets:

	2007		2006	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Property	\$ 1,711,011	–	1,711,011	–
Site services	2,275,953	2,275,953	2,275,953	2,275,953
Buildings	82,810,659	43,451,717	76,995,644	40,877,236
Furniture and equipment	116,406,581	93,457,637	110,666,632	87,971,779
Information technology	27,735,295	15,649,784	20,410,424	12,646,584
Assets under capital leases	3,510,634	1,431,337	3,510,634	1,186,494
Capital project equipment	14,390,242	4,873,857	13,069,375	2,761,807
Projects in progress	134,551,230	–	131,061,588	–
	383,391,605	161,140,285	359,701,261	147,719,853
Less accumulated depreciation	161,140,285		147,719,853	
	\$ 222,251,320		211,981,408	

6. Bank indebtedness:

	2007	2006
Bridge loan	\$ –	5,003,248
Demand operating line	4,880,009	8,370,387
Cash	(2,752,386)	(18,036)
	\$ 2,127,623	13,355,599

The Hospital has arranged for credit facilities which include a demand operating line to \$20 million and a bridge loan to \$40 million. The facilities bear interest at banker's prime rate less .90% (2006- prime less .75%). Subsequent to March 31, 2007, the operating line was fully paid.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2007

7. Accounts payable and accrued liabilities:

	2007	2006
Accounts payable and accrued liabilities:		
- operating	\$ 22,242,009	21,442,383
- capital equipment	3,659,690	4,116,506
- MOHLTC	9,574,580	3,843,785
- St. Joseph's Health Centre	1,052,350	1,052,541
- capital expansion project	331,603	884,802
Payroll accruals:		
- salaries and wages	10,899,374	9,813,232
- vacation pay	10,460,771	9,727,899
- sick leave	1,152,358	1,231,087
Deferred revenue	15,526,458	7,914,293
	\$ 74,899,193	60,026,528

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:

	2007	2006
Balance, beginning of year	\$ 1,947,002	1,986,571
Contributions received	2,052,505	2,377,609
Amounts taken to revenue	(2,090,377)	(2,417,178)
Balance, end of year	\$ 1,909,130	1,947,002

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2007

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:

	2007	2006
Balance, beginning of year	\$ 190,706,727	185,025,457
Additional contributions		
Equipment and buildings:		
FedNor	2,618,629	—
Ministry of Health and Long-Term Care	1,226,231	3,496,901
Cancer Care Ontario	745,731	426,265
Ministry of Finance	695,311	600,581
Sudbury Regional Hospital Foundation	315,043	67,508
Other	239,162	239,511
	5,840,107	4,830,766
Capital expansion project:		
Ministry of Health and Long-Term Care - building	9,107,989	5,085,972
Ministry of Health and Long-Term Care - equipment	677,777	1,154,463
City of Greater Sudbury	699,134	699,134
	10,484,900	6,939,569
	16,325,007	11,770,335
Less amounts amortized to revenue	(6,516,584)	(6,089,065)
Balance, end of year	\$ 200,515,150	190,706,727

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

	2007	2006
Unamortized	\$ 199,991,308	189,515,997
Unspent:		
Equipment	523,842	1,190,730
	\$ 200,515,150	190,706,727

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2007

10. Long-term obligations:

	2007	2006
YMCA Centre for Life - capital lease	\$ 268,548	458,208
SDEC - energy services agreement	838,186	1,049,675
Accrued benefits obligation	6,548,798	6,075,217
	7,655,532	7,583,100
Less current portion	397,892	401,148
	\$ 7,257,640	7,181,952

(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 unionized full time employees with various cost-sharing arrangements as determined by their collective agreements. The most recent valuation of the employee future benefits was completed as at April 1, 2006. The next full valuation of the plan will be effective April 1, 2009.

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

	2007	2006
Balance, beginning of year	\$ 6,075,217	5,831,920
Add: Benefit costs	766,300	448,300
	6,841,517	6,280,220
Less: Benefit contributions	292,719	205,003
Balance, end of year	\$ 6,548,798	6,075,217

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2007

10. Long-term obligations (continued):

(c) Employee future benefits (continued):

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

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

	2007	2006
Discount rate	5.25%	6.0%
Dental cost trend rates	4.0%	4.5%
Extended health care trend rates	9.0%	8.5%

Health care sensitivity analysis:

Assumed health care and dental cost trend rates have a significant effect on the amounts reported for the health-care plans. A 1% change in assumed health care trend rates would have the following effects for 2007.

	Increase	Decrease
Net benefit cost	\$ 84,200	(71,000)
Accrued benefit obligation	863,500	(741,000)

(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:

2008	\$ 506,400
2009	370,852
2010	300,000
2011	300,000
2012	200,000
Total minimum payments	1,677,252
Less amounts representing interest	570,518
Present value of net minimum payments	1,106,734
Less current portion	397,892
Non-current portion	\$ 708,842

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2007

11. Equity in capital assets:

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

	2007	2006
Capital assets, net book value	\$ 222,251,320	211,981,408
Amounts financed by:		
- deferred capital contributions	(199,991,308)	(189,515,998)
- capital lease obligations	(1,106,734)	(1,507,883)
	\$ 21,153,278	20,957,527

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

Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	\$ 6,516,584	6,089,065
Depreciation	(13,455,627)	(11,617,900)
	\$ (6,939,043)	(5,528,835)
Invested in capital assets:		
Amounts funded by deferred capital contributions	\$ (16,991,895)	(10,872,312)
Purchase of capital assets	23,816,169	21,761,614
Reduction of capital lease obligations	401,149	405,508
Proceeds on disposal of capital assets	(83,138)	(25,049)
Gain (loss) on disposal of capital assets	(7,491)	22,266
	\$ 7,134,794	11,292,027

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 \$12,358,914 (2006 - \$11,562,869) and are included in employee benefits in the statement of operations. The most recent actuarial valuation of the Plan as at December 31, 2006 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, 2007

13. Other entities:

This section addresses disclosure requirements regarding the Hospital's relationships with related entities. The relationship can be one of economic interest, significant influence, joint control or control.

(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. During the year, the Hospital received donations amounting to \$1,014,177 (2006 - \$934,612) from the Sudbury Regional Hospital Foundation.

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.

The Hospital has economic interest in the Foundations and Volunteer Association. 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	
	2007	2006	2006	2005	2007	2006
Financial position:						
Total assets	\$ 11,416,288	9,733,529	2,871,374	2,957,570	520,495	386,091
Total liabilities	\$ 91,929	68,013	93,630	79,182	45,969	36,287
Net assets	11,324,359	9,665,516	2,787,744	2,878,388	474,526	349,804
	\$ 11,416,288	9,733,529	2,881,374	2,957,570	520,495	386,091
Results of operations:						
Total revenue	\$ 3,010,067	2,241,420	1,772,792	2,155,308	199,943	181,795
Total expenses	1,351,224	1,208,274	1,863,436	2,128,406	75,220	85,364
Net revenue (deficiency)	\$ 1,658,843	1,033,146	(90,644)	26,902	124,723	96,431

Financial information for Northern Cancer Research Foundation for 2007 was not available at the time of the audit report date.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2007

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 based on rates reflecting the costs, expenses and disbursements incurred by them in the normal course of business. The Hospital has significant influence in Sudbury Hospital Services. During the year, the Hospital purchased \$4,680,507 (2006 - \$4,059,836) in steam and laundry services from Sudbury Hospital Services.

Sudbury Vascular Laboratory Ltd. was created to operate a vascular laboratory. The Hospital controls Sudbury Vascular Laboratory Ltd. As at March 31, 2007, Sudbury Vascular Laboratory Ltd. had advances owing to the Hospital of \$566,096 (2006 - \$407,141).

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

	Sudbury Hospital Services		Sudbury Vascular Laboratory Ltd.	
	2007	2006	2007	2006
Financial position:				
Total assets	\$ 4,582,649	4,641,316	993,424	1,020,735
Total liabilities	\$ 1,643,395	1,784,853	857,714	965,552
Net assets (deficiency)	2,939,254	2,856,463	135,710	55,183
	\$ 4,582,649	4,641,316	993,424	1,020,735
Results of operations:				
Total revenue	\$ 4,796,356	4,135,501	1,270,220	971,082
Total expenses	4,713,565	4,132,923	1,168,208	891,218
Income taxes	—	—	21,485	16,145
Excess of revenue over expenses	\$ 82,791	2,578	80,527	63,719
Cash flows:				
Cash from (used in) operations	\$ 321,267	352,310	(66,080)	297,891
Cash from (used in) financing and investing activities	(196,450)	(451,287)	(291,473)	(189,411)
Increase (decrease) in cash	\$ 124,817	(98,977)	(357,553)	108,480

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2007

14. Change in non-cash working capital:

	2007	2006
Accounts receivable	\$ 1,213,863	8,873,916
Inventories	(544,336)	68,908
Prepayments	(551)	(804,405)
Accounts payable and accrued liabilities	14,872,665	(4,696,518)
	\$ 15,541,641	3,441,901

15. Contingencies:

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.

16. Subsequent events:

(a) Capital expansion project:

On March 21, 2006, the MOHLTC announced its commitment to support the completion of the capital expansion project. The Request for Qualifications for General Contractors (RFQ) was released in April 2006 and the Request for Proposal (RFP) was released June 2006. The evaluation of the bid submissions was completed in December 2006.

The Hospital has entered into an agreement with the successful proponent for the Phase II capital construction project, with the commercial close occurring on March 9, 2007 and the financial close occurring on May 8, 2007. Under the provisions of the agreement, the Hospital will be required to establish a sinking fund relating to the construction cost, with payment due upon completion of the Phase II capital construction project, expected to occur in the 2010 fiscal year. Overall, the total cost of the Phase II capital construction project (including payments to the successful proponent and other costs) is projected to be \$225 million.

(b) Northeast Mental Health Centre Integration:

Effective June 1, 2007, the District Mental Health and Addictions Services (beds and community programs) formerly operated by the Northeast Mental Health Centre (NEMHC) were transferred to the Hospital. The financial terms relating to the transfer were not finalized at the audit report date.

(c) St. Joseph's Health Centre Fire:

On June 6, 2007, a fire occurred at the Hospital's St. Joseph Health Centre site. As a result of the fire, the Hospital incurred unusual costs relating to staff overtime, facility restoration and patient movements, the quantum of which cannot be determined at this time. The Hospital anticipates that these costs will be financed through insurance proceeds and Provincial funding.

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Notes to Financial Statements

Year ended March 31, 2007

17. Other information:

(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) Transitional (restructuring) costs and recoveries:

Effective April 1, 2003, the MOHLTC is no longer funding eligible restructuring costs, as defined by the MOHLTC. These costs continue to be incurred and reported as transitional costs.

(c) 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 the first three years post recovery plan (2002/2003, 2003/2004, and 2004/2005) thereby securing the \$15 million funding. Further recovery plan targets will be introduced and reviewed by the MOHLTC following the merging of the existing three sites onto a single site.

18. 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 \$0.9 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.

19. Comparative figures:

Certain 2006 comparative figures have been reclassified to conform with the presentation adopted for 2007.