

Financial Statements of

**HÔPITAL RÉGIONAL DE
SUDBURY REGIONAL HOSPITAL**

Year ended March 31, 2008



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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, 2008 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, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles on a basis consistent with that of the preceding period.

Chartered Accountants, Licensed Public Accountants

Sudbury, Canada

May 16, 2008

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Statement of Financial Position

March 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Accounts receivable (note 2)	\$ 18,599,341	8,238,173
Inventories	3,462,202	3,617,268
Prepayments	3,915,226	3,084,344
	<u>25,976,769</u>	<u>14,939,785</u>
Restricted assets (note 3)	14,693,655	17,016,048
Long-term receivables (note 4)	3,200,870	738,344
Capital assets (note 5)	271,105,310	222,251,320
	<u>\$ 314,976,604</u>	<u>254,945,497</u>

Liabilities, Deferred Contributions and Deficiency in Net Assets

Current liabilities:		
Bank indebtedness (note 6)	\$ 8,046,739	2,127,623
Accounts payable and accrued liabilities (note 7)	80,909,858	74,899,193
Current portion of long-term obligations (note 10)	258,398	397,892
	<u>89,214,995</u>	<u>77,424,708</u>
Deferred contributions (note 8)	2,183,284	1,909,130
Deferred capital contributions (note 9)	205,649,311	200,515,150
Long-term obligations (note 10)	49,958,833	7,257,640
Deficiency in net assets	(32,029,819)	(32,161,131)
Contingencies (note 15)		
	<u>\$ 314,976,604</u>	<u>254,945,497</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, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Ministry of Health and Long-Term Care/Local Health Integration Network	\$ 251,497,558	226,316,097
Cancer Care Ontario	29,355,484	24,808,278
Specifically funded programs	18,802,158	9,109,972
Patient services	26,900,184	24,958,295
Other	20,256,990	20,518,723
Amortization - deferred capital contributions for equipment (note 9)	5,672,079	4,906,473
	<u>352,484,453</u>	<u>310,617,838</u>
Expenses:		
Salaries and wages	167,083,767	152,215,476
Employee benefits	44,236,800	39,667,061
Medical staff remuneration	21,504,770	18,471,026
Supplies and other	44,061,613	39,129,979
Medical and surgical	23,226,999	22,996,328
Drugs	16,843,734	16,756,565
Specifically funded programs	18,739,705	9,092,792
Depreciation - equipment	12,546,699	10,657,014
	<u>348,244,087</u>	<u>308,986,241</u>
	4,240,366	1,631,597
Transitional costs	(1,898,651)	(1,378,462)
Excess of revenue over expenses before the undernoted	2,341,715	253,135
Depreciation - buildings and site services	(4,878,817)	(2,841,994)
Amortization - deferred capital contributions for buildings and site services (note 9)	3,733,594	1,610,112
Excess (deficiency) of revenue over expenses before extraordinary item	1,196,492	(978,747)
Extraordinary item: (note 16) Net expense of fire at the St. Joseph's Health Centre Site	(1,065,180)	-
Excess (deficiency) of revenue over expenses	\$ 131,312	(978,747)

See accompanying notes to financial statements.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Statement of Changes in Deficiency in Net Assets

Year ended March 31, 2008, with comparative figures for 2007

	Equity in Capital Assets	Unrestricted	2008 Total	2007 Total
Net assets (deficiency), beginning of year	\$ 21,153,278	(53,314,409)	(32,161,131)	(31,182,384)
Excess (deficiency) of revenue over expenses (note 11)	(7,872,799)	8,004,111	131,312	(978,747)
Invested in capital assets (note 11)	11,418,206	(11,418,206)	–	–
Net assets (deficiency), end of year	\$ 24,698,685	(56,728,504)	(32,029,819)	(32,161,131)

See accompanying notes to financial statements.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	\$ 131,312	(978,747)
Adjustments for:		
Depreciation	17,278,472	13,455,627
Amortization of deferred capital contributions	(9,405,673)	(6,516,584)
Amortization of accrued benefits obligation	595,152	473,581
Loss on disposal of capital assets	118,852	7,491
	8,718,115	6,441,368
Change in non-cash working capital (note 14)	(5,026,319)	15,541,641
	3,691,796	21,983,009
Cash flows from investing and financing activities:		
Additions to capital assets:		
- capital expansion project-building	(45,475,944)	(3,489,640)
- capital expansion project-equipment	(3,956,587)	(1,413,005)
- other	(16,845,748)	(18,913,523)
Increase in long-term receivable	(2,462,526)	-
Increase (decrease) in deferred contributions	274,154	(37,872)
Increase in deferred capital contributions	14,539,834	16,325,007
Increase (decrease) in long-term obligations	41,966,547	(401,149)
Proceeds on disposal of capital assets	26,965	83,138
Decrease (increase) in restricted assets	2,322,393	(2,907,989)
	(9,610,912)	(10,755,033)
Net increase (decrease) in cash	(5,919,116)	11,227,976
Bank indebtedness, beginning of year	(2,127,623)	(13,355,599)
Bank indebtedness, end of year	\$ (8,046,739)	(2,127,623)

See accompanying notes to financial statements.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2008

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.

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.

Revenue from patient and other services is recognized when the service is provided.

(b) Inventories:

Inventories are stated at the lower of average cost and net realizable value, less a provision for obsolete or unusable inventory on hand.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2008

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, 2008

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.

The Hospital is an employer member of the Hospitals of Ontario Pension Plan (the "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 MOHLTC and the North East Local Health Integration Network ("NELHIN") for specific services. Pursuant to the related agreements, if the Hospital does not meet specified levels of activity, the MOHLTC or NELHIN are 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, 2008

1. Significant accounting policies (continued):

(j) Accounting changes – financial instruments:

Effective April 1, 2007, the Hospital adopted CICA Handbook Section 3855, “Financial Instruments – Recognition and Measurement”.

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the statement of financial position and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the statement of financial position at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in the statement of changes in net assets (deficiency).

Upon adoption of the new standards on April 1, 2007, the Hospital designated its restricted cash and bank indebtedness as held-for-trading, which is measured at fair value. Accounts receivable and long-term receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and long-term obligations are classified as other financial liabilities, which are measured at amortized cost.

The Hospital has selected to account for transactions at the trade date.

As a result of the adoption of these new standards, there were no adjustments to the opening balances.

2. Accounts receivable:

	2008	2007
Ministry of Health and Long-Term Care/NELHIN	\$ 5,343,872	1,021,047
Patients and clients	7,762,413	5,870,678
Cancer Care Ontario	2,388,355	316,300
Canada Revenue Agency (GST)	618,083	740,693
Current portion of long-term receivables	300,865	–
Other	4,649,753	1,698,455
	21,063,341	9,647,173
Less allowance for doubtful accounts	(2,464,000)	(1,409,000)
	\$18,599,341	8,238,173

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2008

3. Restricted assets:

	2008	2007
Cash	\$ 14,693,655	–
Grant receivable	–	17,016,048
	\$ 14,693,655	17,016,048

The cash balance is restricted for the capital expansion project.

Funding for the Phase II capital project from the MOHLTC is based on a cost sharing formula that varies between 80% to 100% of eligible capital expenditures and is subject to appropriation by the Legislature of Ontario. As at March 31, 2008, the MOHLTC funding for the Phase II capital project amounted to \$36,036,298 but has not been accrued as the required appropriation by the Legislature of Ontario has not occurred.

4. Long-term receivables:

	2008	2007
Cancer Care Ontario	\$ 241,904	438,344
Sudbury and District Energy Corporation (SDEC)	300,000	300,000
Northern Cancer Research Foundation	2,959,831	–
	3,501,735	738,344
Less current portion	300,865	–
	3,200,870	738,344

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2008

5. Capital assets:

	2008		2007	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Property	\$ 1,711,011	–	1,711,011	–
Site services	2,313,049	2,282,136	2,275,953	2,275,953
Buildings	84,638,212	46,605,576	80,338,514	43,451,717
Furniture and equipment	124,980,728	98,554,393	116,406,581	93,457,637
Information technology	28,730,294	19,402,425	24,455,178	15,649,784
Assets under capital leases	3,510,634	1,676,180	3,510,634	1,431,337
Capital project - building	121,348,862	1,990,722	–	–
Capital project - equipment	17,244,632	6,620,270	14,390,242	4,873,857
Projects in progress	63,759,590	–	140,303,492	–
	448,237,012	177,131,702	383,391,605	161,140,285
Less accumulated depreciation	177,131,702		161,140,285	
	\$ 271,105,310		222,251,320	

6. Bank indebtedness:

	2008	2007
Demand operating line	\$ 6,213,249	4,880,009
Cash	1,832,490	(2,752,386)
	\$ 8,046,739	2,127,623

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% (2007 - prime less .90%). Subsequent to March 31, 2008, the operating line was fully paid.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2008

7. Accounts payable and accrued liabilities:

	2008	2007
Accounts payable and accrued liabilities:		
- operating	\$ 29,175,967	22,242,009
- capital equipment	2,420,633	3,659,690
- MOHLTC/NELHIN	7,428,763	9,574,580
- St. Joseph's Health Centre		1,052,350
- capital expansion project	2,130,742	331,603
Payroll accruals:		
- salaries and wages	13,708,444	10,899,374
- vacation pay	12,349,769	10,460,771
- sick leave	1,014,188	1,152,358
Deferred revenue	12,681,352	15,526,458
	\$ 80,909,858	74,899,193

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:

	2008	2007
Balance, beginning of year	\$ 1,909,130	1,947,002
Contributions received	2,353,225	2,052,505
Amounts taken to revenue	(2,079,071)	(2,090,377)
Balance, end of year	\$ 2,183,284	1,909,130

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2008

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:

	2008	2007
Balance, beginning of year	\$ 200,515,150	190,706,727
Additional contributions		
Equipment and buildings:		
FedNor	199,193	2,618,629
Ministry of Health and Long-Term Care	2,257,950	1,226,231
Cancer Care Ontario	3,038,301	745,731
Ministry of Finance	-	695,311
Sudbury Regional Hospital Foundation	12,327	315,043
Other	891,214	239,162
	6,398,985	5,840,107
Capital expansion project:		
Ministry of Health and Long-Term Care - building	4,551,502	9,107,989
Ministry of Health and Long-Term Care - equipment	1,410,150	677,777
Sudbury Regional Hospital Foundation	1,699,134	699,134
Other	480,063	-
	8,140,849	10,484,900
	14,539,834	16,325,007
Less amounts amortized to revenue	(9,405,673)	(6,516,584)
Balance, end of year	\$ 205,649,311	200,515,150

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

	2008	2007
Unamortized	\$ 203,809,244	199,991,308
Unspent:		
Equipment	1,840,067	523,842
	\$ 205,649,311	200,515,150

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2008

10. Long-term obligations:

	2008	2007
YMCA Centre for Life - capital lease	\$ 70,174	268,548
SDEC - energy services agreement	638,669	838,186
EllisDon Corporation – capital expansion project obligation	41,888,538	–
Accrued benefits obligation	7,619,850	6,548,798
	50,217,231	7,655,532
Less current portion	258,398	397,892
	\$ 49,958,833	7,257,640

- (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) The Hospital has entered into an agreement with EllisDon Corporation ("EllisDon") for the Phase II capital expansion project. While payment of the contract amount is due upon completion, the terms of the agreement establish the Hospital's obligation for the contract price as construction proceeds, based on the percentage of construction completed. As at March 31, 2008, the Hospital's liability to EllisDon (including construction costs and capitalized interest) amounted to \$41,888,538.

Under the provisions of the agreement, the Hospital is required to establish a sinking fund relating to the construction cost, with payment due upon completion, expected to occur in December 2009. Overall, the total cost of the Phase II capital construction project (including payments to EllisDon and other costs) is projected to be \$225 million.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2008

10. Long-term obligations (continued):

(d) 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 valuation of the employee future benefits was updated as at June 1, 2007 and includes employees transferred from the Northeast Mental Health Centre ("NEMHC"). 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:

	2008	2007
Balance, beginning of year	\$ 6,548,798	6,075,217
Add: Addition related to NEMHC transferred employees	475,900	–
Add: Benefit costs	840,300	766,300
	7,864,998	6,841,517
Less: Benefit contributions	245,148	292,719
Balance, end of year	\$ 7,619,850	6,548,798

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:

	2008	2007
Discount rate	5.25%	5.25%
Dental cost trend rates	4.0%	4.0%
Extended health care trend rates	8.5%	9.0%

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 2008:

	Increase	Decrease
Net benefit cost	\$ 94,200	(79,300)
Accrued benefit obligation	1,019,500	(872,900)

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2008

10. Long-term obligations (continued):

- (e) 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:

2009	\$	370,852
2010		300,000
2011		300,000
2012		200,000
Total minimum payments		1,170,852
Less amounts representing interest		462,009
Present value of net minimum payments		708,843
Less current portion		258,398
Non-current portion	\$	450,445

11. Equity in capital assets:

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

	2008	2007
Capital assets, net book value	\$ 271,105,310	222,251,320
Amounts financed by:		
- deferred capital contributions	(203,809,244)	(199,991,308)
- capital lease obligations	(708,843)	(1,106,734)
- capital expansion project obligation	(41,888,538)	-
	\$ 24,698,685	21,153,278

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

Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	\$ 9,405,673	6,516,584
Depreciation	(17,278,472)	(13,455,627)
	\$ (7,872,799)	(6,939,043)
Invested in capital assets:		
Amounts funded by deferred capital contributions	\$ (13,223,609)	(16,991,895)
Purchase of capital assets	66,278,279	23,816,169
Reduction of capital lease obligations	397,891	401,149
Proceeds on disposal of capital assets	(26,965)	(83,138)
Loss on disposal of capital assets	(118,852)	(7,491)
Amounts funded by capital expansion project obligation	(41,888,538)	-
	\$ 11,418,206	7,134,794

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2008

12. Pension plan:

Substantially all of the employees of the Hospital are members of the Plan which is a multi-employer defined benefit plan. Contributions to the Plan made during the year on behalf of employees amounted to \$14,036,440 (2007 - \$12,358,914) 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.

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 \$1,786,766 (2007 - \$1,014,177) 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. During the year, the Hospital received donations amounting to \$49,623 from the Volunteer Association.

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	
	2008	2007	2007	2006	2007	2006
Financial position:						
Total assets	\$ 11,608,364	11,416,288	3,380,660	2,881,374	520,495	386,091
Total liabilities	\$ 45,974	91,929	49,194	93,630	45,969	36,287
Net assets	11,562,390	11,324,359	3,331,466	2,787,744	474,526	349,804
	\$ 11,608,364	11,416,288	3,380,660	2,881,374	520,495	386,091

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2008

13. Other entities (continued):

(a) Foundations and Volunteer Association (continued):

	Sudbury Regional Hospital Foundation		Northern Cancer Research Foundation		HRSRH Volunteer Association	
	2008	2007	2007	2006	2007	2006
Results of operations:						
Total revenue	\$ 2,293,696	3,010,067	2,292,972	1,772,792	199,943	181,795
Total expenses	2,073,070	1,351,224	1,749,250	1,863,436	75,220	85,364
Net revenue (deficiency)	\$ 220,626	1,658,843	543,722	(90,644)	124,723	96,431

Financial information for Northern Cancer Research Foundation and the HRSRH Volunteer Association for 2008 was not available at the time of the audit report date.

(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 \$4,900,678 (2007 - \$4,680,507) 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, 2008, Sudbury Vascular Laboratory Ltd. had advances owing to the Hospital of \$603,596 (2007 - \$566,096).

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2008

13. Other entities (continued):

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

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	2008	2007
Financial position:				
Total assets	\$ 4,582,649	4,641,316	1,225,503	993,424
Total liabilities	\$ 1,643,395	1,784,853	1,021,716	857,714
Net assets (deficiency)	2,939,254	2,856,463	203,787	135,710
	\$ 4,582,649	4,641,316	1,225,503	993,424
Results of operations:				
Total revenue	\$ 4,796,356	4,135,501	1,435,525	1,270,220
Total expenses	4,713,565	4,132,923	1,342,040	1,168,208
Income taxes	—	—	25,408	21,485
Excess of revenue over expenses	\$ 82,791	2,578	68,077	80,527
Cash flows:				
Cash from (used in) operations	\$ 321,267	352,310	199,709	(66,080)
Cash from (used in) financing and investing activities	(196,450)	(451,287)	26,737	(291,473)
Increase (decrease) in cash	\$ 124,817	(98,977)	226,446	(357,553)

Financial information for Sudbury Hospital Services for 2008 was not available at the time of the audit report date.

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Notes to Financial Statements

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14. Change in non-cash working capital:

	2008	2007
Accounts receivable	\$ (10,361,168)	1,213,863
Inventories	155,066	(544,336)
Prepayments	(830,882)	(551)
Accounts payable and accrued liabilities	6,010,665	14,872,665
	\$ (5,026,319)	15,541,641

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. Extraordinary item:

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 extraordinary costs relating to staff overtime, facility restoration and patient movements. The net cost of the fire to the Hospital is \$1,065,180 as follows:

Extraordinary costs incurred	\$ 1,465,180
Insurance proceeds received	(400,000)
	\$ 1,065,180

The Hospital anticipates that a portion of the remaining costs will be financed through additional insurance proceeds and MOHLTC funding. However, the amount of additional funding, if any, is not presently determinable.

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Notes to Financial Statements

Year ended March 31, 2008

17. Other Information:

(a) Northeast Mental Health Centre integration:

Effective June 1, 2007, the District Mental Health and Addictions Services (beds and community programs) formerly operated by the NEMHC were transferred to the Hospital. This involved the transfer of assets, liabilities, programs and employees. The assets and liabilities transferred amounted to \$100,992 and \$809,912 respectively.

Under the agreement transferring the mental health programs to the Hospital, the NEMHC will reimburse the Hospital for employee future benefits liability relating to transferred employees based on actuarial valuations undertaken by the Hospital and NEMHC. The amount receivable by the Hospital from the NEMHC for vested benefits is \$475,900 and is included in the balance of other accounts receivable. Currently, there is no agreed-upon repayment terms with respect to this receivable.

The results of operations for the Mental Health transferred programs for the period June 1, 2007 to March 31, 2008 were included in the statement of operations for the Hospital.

(b) Complex continuing care program transfer:

The Hospital has commenced negotiations with the St. Joseph Health Centre relating to the transfer of the Hospital's complex continuing care program to the St. Joseph Health Centre, with the transfer expected to occur during the 2009 fiscal year. The financial terms of the transfer have yet to be finalized.

(c) Capital assets:

Certain of the Hospital's assets may be disposed of or become redundant to the ongoing operations as and when the single site amalgamation of operations occurs.

(d) 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.

(e) 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.

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Notes to Financial Statements

Year ended March 31, 2008

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. Future pronouncement:

CICA Handbook Section 3862 "Financial Instruments – Disclosures" requires entities to provide disclosures in their financial statements that enables users to evaluate the significance of financial instruments for the entity's financial position and performance, the nature and extent of risks arising from instruments to which the entity is exposed during the year and at the date of the statement of financial position, and how the entity manages those risks. CICA Handbook Section 3863 "Financial Instruments – Presentation", carries forward the former presentation requirements included in CICA Handbook Section 3861. The Hospital will be adopting the standard commencing April 1, 2008.