

Financial Statements of

**HÔPITAL RÉGIONAL DE  
SUDBURY REGIONAL HOSPITAL**

Year ended March 31, 2009



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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, 2009 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, 2009 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 8, 2009

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Statement of Financial Position

March 31, 2009, with comparative figures for 2008

	2009	2008
<b>Assets</b>		
Current assets:		
Accounts receivable (note 2)	\$ 19,463,261	18,599,341
Inventories	3,773,602	3,462,202
Prepayments	4,252,284	3,915,226
	<u>27,489,147</u>	<u>25,976,769</u>
Restricted assets (note 3)	31,700,987	14,693,655
Long-term receivables (note 4)	2,737,109	3,200,870
Capital assets (note 5)	335,428,945	271,105,310
	<u>\$ 397,356,188</u>	<u>314,976,604</u>

## Liabilities, Deferred Contributions and Deficiency in Net Assets

Current liabilities:		
Bank indebtedness (note 6)	\$ 18,605,407	8,046,739
Accounts payable and accrued liabilities (note 7)	81,560,665	80,909,858
Current portion of long-term obligations (note 11)	226,404	258,398
	<u>100,392,476</u>	<u>89,214,995</u>
Current liabilities before construction-related debt	100,392,476	89,214,995
Capital expansion project obligation (note 8)	97,216,962	-
	<u>197,609,438</u>	<u>89,214,995</u>
Deferred contributions (note 9)	2,155,555	2,183,284
Deferred capital contributions (note 10)	225,298,157	205,649,311
Long-term obligations (note 11)	8,532,379	49,958,833
Deficiency in net assets	(36,239,341)	(32,029,819)
Contingencies (note 18)		
Other information (note 19)		
	<u>\$ 397,356,188</u>	<u>314,976,604</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, 2009, with comparative figures for 2008

	2009	2008
Revenue:		
Ministry of Health and Long-Term Care/Local Health Integration Network	\$ 257,833,378	250,821,565
Cancer Care Ontario	30,484,112	29,147,657
Specifically funded programs	24,432,202	21,089,468
Patient services	27,581,398	25,707,112
Other	20,350,058	19,382,126
Amortization - deferred capital contributions for equipment	6,932,743	5,613,904
	<u>367,613,891</u>	<u>351,761,832</u>
Expenses:		
Salaries and wages	174,636,231	165,915,577
Employee benefits	47,847,554	43,960,596
Medical staff remuneration	22,031,127	21,360,612
Supplies and other	44,438,080	43,311,513
Medical and surgical	24,214,298	23,272,062
Drugs	16,492,866	16,861,834
Specifically funded programs	24,415,712	21,026,740
Amortization - equipment	15,332,678	12,488,524
	<u>369,408,546</u>	<u>348,197,458</u>
	(1,794,655)	3,564,374
Transitional costs (note 12)	(1,406,250)	(1,222,658)
Excess (deficiency) of revenue over expenses before the undernoted	(3,200,905)	2,341,716
Amortization - buildings and site services	(6,657,825)	(4,936,993)
Amortization - deferred capital contributions for buildings and site services	5,086,984	3,791,769
Excess (deficiency) of revenue over expenses before extraordinary item	(4,771,746)	1,196,492
Extraordinary item: (note 13)		
Net recovery (expense) of fire at the St. Joseph's Health Centre Site	562,224	(1,065,180)
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ (4,209,522)</b>	<b>131,312</b>

See accompanying notes to financial statements.

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

## Statement of Changes in Deficiency in Net Assets

Year ended March 31, 2009, with comparative figures for 2008

	Equity in Capital Assets	Unrestricted	2009 Total	2008 Total
Net assets (deficiency), beginning of year	\$ 24,698,685	(56,728,504)	(32,029,819)	(32,161,131)
Excess (deficiency) of revenue over expenses (note 14)	(9,728,450)	5,518,928	(4,209,522)	131,312
Invested in capital assets (note 14)	20,645,849	(20,645,849)	–	–
<b>Net assets (deficiency), end of year</b>	<b>\$ 35,616,084</b>	<b>(71,855,425)</b>	<b>(36,239,341)</b>	<b>(32,029,819)</b>

See accompanying notes to financial statements.

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

## Statement of Cash Flows

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	\$ (4,209,522)	131,312
Adjustments for:		
Amortization	21,748,177	17,278,472
Amortization of deferred capital contributions	(12,019,727)	(9,405,673)
Amortization of accrued benefits obligation	450,206	595,152
Loss on disposal of capital assets	199,216	118,852
	6,168,350	8,718,115
Change in non-cash working capital (note 15)	96,355,391	(5,026,319)
	102,523,741	3,691,796
Cash flows from investing and financing activities:		
Additions to capital assets:		
- capital expansion project-building	(59,758,803)	(45,475,944)
- capital expansion project-equipment	(7,293,264)	(3,956,587)
- other	(19,446,306)	(16,845,748)
Decrease (increase) in long-term receivable	463,761	(2,462,526)
Increase (decrease) in deferred contributions	(27,729)	274,154
Increase in deferred capital contributions	31,668,573	14,539,834
Increase (decrease) in long-term obligations	(41,908,654)	41,966,547
Proceeds on disposal of capital assets	227,345	26,965
Decrease (increase) in restricted assets	(17,007,332)	2,322,393
	(113,082,409)	(9,610,912)
<b>Net decrease in cash</b>	(10,558,668)	(5,919,116)
Bank indebtedness, beginning of year	(8,046,739)	(2,127,623)
<b>Bank indebtedness, end of year</b>	\$ (18,605,407)	(8,046,739)

See accompanying notes to financial statements.

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2009

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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:

During the year, the Hospital adopted CICA Handbook Section 3031, Inventories. Section 3031 establishes standards for the measurement of inventories, recognition of an expense when inventories are consumed and identifies the information that should be disclosed about them.

Inventories are stated at the lower of average cost and net realizable value. Cost comprises all costs to purchase, convert and any other costs in bringing the inventories to their present location and condition.

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2009

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## 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.

Amortization is provided on the straight-line basis at the following range of annual rates:

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

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

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

Long-lived assets, including property, plant and equipment subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Hospital uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer amortized. The asset and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.



# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2009

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## 1. Significant accounting policies (continued):

### (d) Related entities:

The notes to financial statements include information of the following entities (note 17):

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.

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. Significant items subject to such estimates and assumptions include the carrying amount of capital assets; valuation allowances for receivables, and inventories; valuation of financial instruments; and assets and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2009

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## 1. Significant accounting policies (continued):

### (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.

### (j) Financial instruments:

The Hospital accounts for its financial assets and liabilities in accordance with Canadian generally accepted accounting principles.

The financial instruments are classified into one of 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 balance sheet 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 statements of changes in deficiency in net assets until the investment is derecognized or impaired at which time the amounts would be recorded in the statement of operations..

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2009

## 1. Significant accounting policies (continued):

### (j) Financial instruments (continued):

In accordance with the generally accepted accounting principles of Canada the Hospital has undertaken the following:

- (i) Designated restricted cash and bank indebtedness as held-for-trading, being measured at fair value.
- (ii) Accounts receivable and long-term receivables are classified as loans and receivables, which are measured at amortized cost.
- (iii) Accounts payable and accrued liabilities and long-term obligations are classified as other financial liabilities, which are measured at amortized cost.
- (iv) The Hospital has elected to account for transactions at the trade date.

The Hospital also complies with CICA 3861, "Financial Instruments – Disclosure and Presentation", for the presentation and disclosure of financial instruments and non-financial derivatives.

In its 2008 financial statements, the Hospital had advised that, in 2009, it would be adopting the new accounting standards for financial instruments presentation and disclosure. During 2009, Canada's Accounting Standards Board amended CICA Handbook section 3862 Financial Instruments – Disclosures, to permit not-for-profit organizations to defer the adoption of this section. The Hospital has elected to defer the adoption of section 3862.

## 2. Accounts receivable:

	2009	2008
Ministry of Health and Long-Term Care/NELHIN	\$ 7,166,681	5,343,872
Patients and clients	7,023,331	8,675,843
Cancer Care Ontario	1,930,182	2,388,355
Canada Revenue Agency (GST)	692,881	618,083
Current portion of long-term receivables	135,113	300,865
Other	3,917,073	3,736,323
	20,865,261	21,063,341
Less allowance for doubtful accounts	(1,402,000)	(2,464,000)
	\$ 19,463,261	18,599,341

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2009

### 3. Restricted assets:

	2009	2008
Cash	\$ 31,700,987	14,693,655

The cash balance is restricted for the capital expansion project.

### 4. Long-term receivables:

	2009	2008
Cancer Care Ontario	\$ 109,661	241,904
Sudbury and District Energy Corporation (SDEC)	–	300,000
Northern Cancer Research Foundation	2,762,561	2,959,831
	2,872,222	3,501,735
Less current portion	135,113	300,865
	\$ 2,737,109	3,200,870

### 5. Capital assets:

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Property	\$ 1,711,011	–	1,711,011	–
Site services	2,313,049	2,294,501	2,313,049	2,282,136
Buildings	87,374,438	49,963,337	84,638,212	46,605,576
Furniture and equipment	136,554,418	106,012,343	124,980,728	98,554,393
Information technology	35,679,964	24,039,439	28,730,294	19,402,425
Assets under capital leases	3,760,708	1,933,527	3,510,634	1,676,180
Capital project - building	121,360,751	5,033,577	121,348,862	1,990,722
Capital project - equipment	24,537,896	9,465,218	17,244,632	6,620,270
Projects in progress	120,878,652	–	63,759,590	–
	534,170,887	198,741,942	448,237,012	177,131,702
Less accumulated amortization	198,741,942		177,131,702	
	\$ 335,428,945		271,105,310	

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2009

## 6. Bank indebtedness:

	2009	2008
Demand operating line	\$ 19,195,048	6,213,249
Bank indebtedness (cash)	(589,641)	1,833,490
	<b>\$ 18,605,407</b>	<b>8,046,739</b>

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 (2008 - prime less 0.90%). Subsequent to March 31, 2009, the operating line was fully paid.

## 7. Accounts payable and accrued liabilities:

	2009	2008
Accounts payable and accrued liabilities:		
- operating	\$ 26,866,337	29,175,967
- capital equipment	2,465,813	2,420,633
- MOHLTC/NELHIN	10,013,101	7,428,763
- capital expansion project	1,915,478	2,130,742
Payroll accruals:		
- salaries and wages	12,646,998	13,708,444
- vacation pay	13,094,197	12,349,769
- sick leave	884,021	1,014,188
Deferred revenue	13,674,720	12,681,352
	<b>\$ 81,560,665</b>	<b>80,909,858</b>

## 8. Capital expansion project obligation:

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, 2009, the Hospital's liability to EllisDon (including construction costs and capitalized interest) amounted to \$97,216,962.

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. As the obligation is expected to be paid during the year ended March 31, 2010, the obligation has been presented as a current liability for financial statement purposes.

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2009

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## 8. Capital expansion project obligation (continued):

Overall, the total cost of the Phase II capital construction project (including payments to EllisDon and other costs) is projected to be \$225 million.

Funding for the Phase II capital project from the MOHLTC is based on a cost sharing formula that varies from 80% to 100% of eligible capital expenditures and is subject to appropriation by the Legislature of Ontario. As at March 31, 2009, the MOHLTC funding relating to the construction obligation would amount to \$87,151,800 (2008 - \$37,988,805) but this amount has not been accrued as the required appropriation by the Legislature of Ontario has not occurred.

## 9. Deferred contributions:

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

	2009	2008
Balance, beginning of year	\$ 2,183,284	1,909,130
Contributions received	1,610,777	2,353,225
Amounts taken to revenue	(1,638,506)	(2,079,071)
Balance, end of year	\$ 2,155,555	2,183,284

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2009

## 10. 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:

	2009	2008
Balance, beginning of year	\$ 205,649,311	200,515,150
Additional contributions		
Equipment and buildings:		
Ministry of Health and Long-Term Care	1,310,226	2,257,950
Cancer Care Ontario	874,911	3,038,301
Northern Cancer Research Foundation	165,969	5,962
FedNor	-	199,193
Sudbury Regional Hospital Foundation	-	12,327
Other	576,834	885,252
	2,927,940	6,398,985
Capital expansion project:		
Ministry of Health and Long-Term Care - building	25,514,221	4,551,502
Ministry of Health and Long-Term Care - equipment	1,602,579	1,410,150
Sudbury Regional Hospital Foundation	1,343,863	1,699,134
Other	279,970	480,063
	28,740,633	8,140,849
	31,668,573	14,539,834
Less amounts amortized to revenue	(12,019,727)	(9,405,673)
Balance, end of year	\$ 225,298,157	205,649,311

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

	2009	2008
Unamortized	\$ 201,907,173	203,809,244
Unspent:		
Equipment	1,120,287	1,840,067
Capital Project	22,270,697	-
	23,390,984	1,840,067
	\$ 225,298,157	205,649,311

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2009

## 11. Long-term obligations:

	2009	2008
Sudbury District Energy Corporation		
- energy services agreement	\$ 450,446	638,669
Hospira Healthcare Corporation	238,280	-
YMCA Centre for Life - capital lease	-	70,174
EllisDon Corporation - capital expansion project obligation	-	41,888,538
Accrued benefits obligation	8,070,057	7,619,850
	8,758,783	50,217,231
Less current portion	226,404	258,398
	\$ 8,532,379	49,958,833

- (a) 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.
- (b) In December 2008 the Hospital entered into a five year capital lease agreement with Hospira Healthcare Corporation for equipment with a monthly lease payment of \$4,312 at an annual discounted rate of 1.35%.
- (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 valuation of the employee future benefits was updated as at March 11, 2009 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:

	2009	2008
Balance, beginning of year	\$ 7,619,850	6,548,798
Add: Addition related to NEMHC transferred employees	-	475,900
Add: Benefit costs	877,800	840,300
	8,497,650	7,864,998
Less: Benefit contributions	427,593	245,148
Balance, end of year	\$ 8,070,057	7,619,850



# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2009

## 11. 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:

	2009	2008
Discount rate	7.25%	5.25%
Dental cost trend rates	4.0%	4.0%
Extended health care trend rates	8.0%	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 2009:

	Increase	Decrease
Net benefit cost	\$ 107,300	(90,300)
Accrued benefit obligation	934,600	(801,600)

### (d) Details of the future minimum payments by year end in aggregate, based on discount rates of 1.35% and 6% for the Hospira Healthcare and SDEC agreements respectively, are as follows:

2010	\$ 351,750
2011	351,750
2012	251,750
2013	51,750
2014	39,125
Total minimum payments	1,046,125
Less amounts representing interest	357,399
Present value of net minimum payments	688,726
Less current portion	226,404
Non-current portion	\$ 462,322

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2009

## 12. Transitional costs:

	2009	2008
Total transitional costs:		
Post construction operating plan	\$ 1,771,992	675,993
Other transitional and multiple-site costs	1,406,250	1,222,658
	3,178,242	1,898,651
Less: MOHLTC funding	(1,771,992)	(675,993)
	\$ 1,406,250	1,222,658

## 13. 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 accumulated net cost of the fire to the Hospital is \$502,956 and is as follows:

	2009	2008
Extraordinary costs incurred	\$ 954,483	1,465,180
Insurance proceeds received or receivable	(1,516,707)	(400,000)
	\$ (562,224)	1,065,180

## 14. Equity in capital assets:

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

	2009	2008
Capital assets, net book value	\$ 335,428,945	271,105,310
Amounts financed by:		
- deferred capital contributions	(201,907,173)	(203,809,244)
- capital lease obligations	(688,726)	(708,843)
- capital expansion project obligation	(97,216,962)	(41,888,538)
	\$ 35,616,084	24,698,685

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2009

## 14. Equity in capital assets (continued):

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

	2009	2008
Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	\$ 12,019,727	9,405,673
Amortization	(21,748,177)	(17,278,472)
	\$ (9,728,450)	(7,872,799)
Invested in capital assets:		
Amounts funded by deferred capital contributions	\$ (10,117,656)	(13,223,609)
Purchase of capital assets	86,498,373	66,278,279
Reduction of capital lease obligations	20,117	397,891
Proceeds on disposal of capital assets	(227,345)	(26,965)
Loss on disposal of capital assets	(199,216)	(118,852)
Amounts funded by capital expansion project obligation	(55,328,424)	(41,888,538)
	\$ 20,645,849	11,418,206

## 15. Change in non-cash working capital:

	2009	2008
Accounts receivable	\$ (863,920)	(10,361,168)
Inventories	(311,400)	155,066
Prepayments	(337,058)	(830,882)
Accounts payable and accrued liabilities	650,807	6,010,665
Capital expansion project obligation	97,216,962	-
	\$ 96,355,391	(5,026,319)

## 16. 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 \$15,133,396 (2008 - \$14,036,440) and are included in employee benefits in the statement of operations. The most recent actuarial valuation of the Plan as at December 31, 2007 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, 2009

## 17. 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 \$1,341,425 (2008 - \$1,786,766) 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	
	2009	2008	2008	2007	2009	2008
Financial position:						
Total assets	\$ 11,535,768	11,608,364	4,046,793	3,380,660	774,603	605,037
Total liabilities	\$ 59,962	45,974	378,036	49,194	77,798	61,948
Net assets	11,475,806	11,562,390	3,668,757	3,331,466	696,805	543,089
	\$ 11,535,768	11,608,364	4,046,793	3,380,660	774,603	605,037
Results of operations:						
Total revenue	\$ 1,506,541	2,293,696	1,829,465	2,292,972	234,830	204,493
Total expenses	1,593,125	2,073,070	1,492,174	1,749,250	81,115	135,930
Net revenue (deficiency)	\$ (86,584)	220,626	337,291	543,722	153,715	68,563

Financial information for Northern Cancer Research Foundation for 2009 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, 2009

## 17. 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 \$5,008,092 (2008 - \$4,900,678) in steam, transport 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, 2009, Sudbury Vascular Laboratory Ltd. had advances owing to the Hospital of \$755,983 (2008 - \$718,483).

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.	
	2009	2008	2009	2008
<b>Financial position:</b>				
Total assets	\$ 4,451,356	4,760,991	1,715,489	1,225,503
Total liabilities	\$ 1,367,105	1,672,352	1,364,640	1,021,716
Net assets (deficiency)	3,084,251	3,088,639	350,849	203,787
	\$ 4,451,356	4,760,991	1,715,489	1,225,503
<b>Results of operations:</b>				
Total revenue	\$ 6,954,324	6,194,447	1,665,183	1,435,525
Total expenses	6,943,053	6,045,062	1,499,827	1,342,040
Income taxes	—	—	18,294	25,408
Excess of revenue over expenses	\$ 11,271	149,385	147,062	68,077
<b>Cash flows:</b>				
Cash from (used in) operations	\$ 261,982	81,291	322,877	199,709
Cash from (used in) financing and investing activities	(541,420)	(756,905)	37,249	26,737
Increase (decrease) in cash	\$ (279,438)	(675,614)	360,126	226,446

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2009

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## 18. 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.

## 19. Other Information:

### (a) Complex continuing care program transfer:

The Hospital has finalized 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 scheduled to occur June 1, 2009.

### (b) 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.

## 20. Fair value of financial assets and liabilities:

The carrying values of accounts receivable, bank indebtedness, accounts payable and accrued liabilities, and the capital expansion project obligation 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 as the terms and conditions of the borrowing arrangements are comparable to current market terms and conditions for similar items.

## 21. Comparative figures:

Certain 2008 comparative figures have been reclassified to conform with the presentation adopted in 2009.