

Financial Statements of

**HÔPITAL RÉGIONAL DE  
SUDBURY REGIONAL HOSPITAL**

Year ended March 31, 2010



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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, 2010 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, 2010 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 7, 2010

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Statement of Financial Position

March 31, 2010, with comparative figures for 2009

	2010	2009
<b>Assets</b>		
Current assets:		
Accounts receivable (note 2)	\$ 20,519,826	19,463,261
Inventories	3,671,779	3,773,602
Prepayments	5,034,339	4,252,284
	<u>29,225,944</u>	<u>27,489,147</u>
Restricted assets (note 3)	4,957,208	31,700,987
Long-term receivables (note 4)	9,216,174	2,737,109
Capital assets (note 5)	402,395,014	335,428,945
	<u>\$ 445,794,340</u>	<u>397,356,188</u>

## Liabilities, Deferred Contributions and Deficiency in Net Assets

Current liabilities:		
Bank indebtedness (note 6)	\$ 28,962,281	18,605,407
Accounts payable and accrued liabilities (note 7)	92,817,450	81,560,665
Current portion of long-term obligations (note 11)	246,572	226,404
	<u>122,026,303</u>	<u>100,392,476</u>
Current liabilities before construction-related debt	122,026,303	100,392,476
Capital expansion project obligation (note 8)	–	97,216,962
	<u>122,026,303</u>	<u>197,609,438</u>
Deferred contributions (note 9)	2,474,139	2,155,555
Deferred capital contributions (note 10)	353,378,976	225,298,157
Long-term obligations (note 11)	9,014,169	8,532,379
Deficiency in net assets	(41,099,247)	(36,239,341)
Contingencies (note 17)		
	<u>\$ 445,794,340</u>	<u>397,356,188</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, 2010, with comparative figures for 2009

	2010	2009
Revenue:		
Ministry of Health and Long-Term Care/Local Health Integration Network	\$ 266,006,594	257,833,378
Cancer Care Ontario	29,983,854	30,484,112
Specifically funded programs	25,806,460	24,432,202
Patient services	28,556,097	27,550,278
Other	21,959,705	20,381,178
Amortization - deferred capital contributions for equipment	9,600,384	6,932,743
	<u>381,913,094</u>	<u>367,613,891</u>
Expenses:		
Salaries and wages	177,161,917	174,636,231
Employee benefits	47,274,852	47,847,554
Medical staff remuneration	23,070,443	22,031,127
Supplies and other	48,913,987	44,438,080
Medical and surgical	25,794,653	24,214,298
Drugs	15,920,043	16,492,866
Specifically funded programs	25,791,737	24,415,712
Amortization - equipment	20,028,987	15,332,678
	<u>383,956,619</u>	<u>369,408,546</u>
	(2,043,525)	(1,794,655)
Transitional costs (note 12)	(1,313,209)	(1,406,250)
Deficiency of revenue over expenses before the undernoted	(3,356,734)	(3,200,905)
Depreciation - buildings and site services	(8,952,843)	(6,657,825)
Amortization - deferred capital contributions for buildings and site services	7,082,492	5,086,984
Deficiency of revenue over expenses before extraordinary item	(5,227,085)	(4,771,746)
Extraordinary item: (note 13)		
Net recovery of expenses related to fire at the St. Joseph's Health Centre Site	367,179	562,224
<b>Deficiency of revenue over expenses</b>	<b>\$ (4,859,906)</b>	<b>(4,209,522)</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, 2010, with comparative figures for 2009

	2010	2009
Deficiency in net assets, beginning of year	\$ (36,239,341)	(32,029,819)
Deficiency of revenue over expenses	(4,859,906)	(4,209,522)
<b>Deficiency in net assets, end of year</b>	<b>\$ (41,099,247)</b>	<b>(36,239,341)</b>

See accompanying notes to financial statements.

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

## Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Cash flows from operating activities:		
Amortization of revenue over expenses	\$ (4,859,906)	(4,209,522)
Adjustments for:		
Depreciation	28,981,829	21,748,177
Amortization of deferred capital contributions	(16,682,876)	(12,019,727)
Amortization of accrued benefits obligation	698,941	450,206
Loss (gain) on disposal of capital assets	(44,413)	199,216
	8,093,575	6,168,350
Change in non-cash working capital (note 14)	(87,696,974)	96,355,391
	(79,603,399)	102,523,741
Cash flows from investing and financing activities:		
Additions to capital assets:		
- capital expansion project-building	(40,181,108)	(59,758,803)
- capital expansion project-equipment	(24,950,505)	(7,293,264)
- other	(30,816,285)	(19,446,306)
Decrease (increase) in long-term receivables	(6,479,065)	463,761
Increase (decrease) in deferred contributions	318,584	(27,729)
Increase in deferred capital contributions	144,763,695	31,668,573
Decrease in long-term obligations	(196,983)	(41,908,654)
Proceeds on disposal of capital assets	44,413	227,345
Decrease (increase) in restricted assets	26,743,779	(17,007,332)
	69,246,525	(113,082,409)
<b>Net decrease in cash</b>	(10,356,874)	(10,558,668)
Bank indebtedness, beginning of year	(18,605,407)	(8,046,739)
<b>Bank indebtedness, end of year</b>	\$ (28,962,281)	(18,605,407)

See accompanying notes to financial statements.

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2010

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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:

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, 2010

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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 statement of financial position 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 statement of financial position.



# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2010

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## 1. Significant accounting policies (continued):

### (d) Related entities:

The notes to financial statements include information of the following entities (note 16):

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 14 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 property, plant and equipment; 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, 2010

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## 1. Significant accounting policies (continued):

### (g) Funding adjustments:

The Hospital receives grants from the Ministry of Health and Long-Term Care (“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 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 other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2010

## 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.

## 2. Accounts receivable:

	2010	2009
Ministry of Health and Long-Term Care / North East Local Health Integration Network	\$ 6,900,126	7,166,681
Patients and clients	8,376,330	7,023,331
Cancer Care Ontario	1,951,152	1,930,182
Canada Revenue Agency (GST)	728,678	692,881
Current portion of long-term receivables	525,827	135,113
Other	2,946,713	3,917,073
	21,428,826	20,865,261
Less allowance for doubtful accounts	(909,000)	(1,402,000)
	\$ 20,519,826	19,463,261

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2010

### 3. Restricted assets:

	2010	2009
Cash	\$ 3,960,885	31,700,987
Short term investments	574,590	–
Ministry of Health and Long-Term Care receivable	421,733	–
	<b>\$ 4,957,208</b>	<b>31,700,987</b>

Restricted assets are restricted for the capital expansion project.

### 4. Long-term receivables:

	2010	2009
Cancer Care Ontario	\$ 80,679	109,661
Northern Cancer Research Foundation	2,627,447	2,762,561
City of Greater Sudbury	7,033,875	–
	<b>9,742,001</b>	<b>2,872,222</b>
Less current portion	525,827	135,113
	<b>\$ 9,216,174</b>	<b>2,737,109</b>

### 5. Capital assets:

	2010		2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Property	\$ 1,711,011	–	1,711,011	–
Site services	2,363,326	2,315,245	2,313,049	2,294,501
Buildings	96,763,672	53,616,441	87,374,438	49,963,337
Furniture and equipment	154,109,867	115,305,524	136,554,418	106,012,343
Information technology	40,895,934	29,363,658	35,679,964	24,039,439
Assets under capital leases	3,799,719	2,207,279	3,760,708	1,933,527
Capital project - building	280,745,234	10,068,888	121,360,751	5,033,577
Capital project - equipment	49,488,408	14,846,736	24,537,896	9,465,218
Projects in progress	241,614	–	120,878,652	–
	<b>630,118,785</b>	<b>227,723,771</b>	<b>534,170,887</b>	<b>198,741,942</b>
Less accumulated amortization	227,723,771		198,741,942	
	<b>\$ 402,395,014</b>		<b>335,428,945</b>	

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2010

## 6. Bank indebtedness:

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 (2009 - prime rate). Subsequent to March 31, 2010, the operating line and bridge loan were fully paid.

## 7. Accounts payable and accrued liabilities:

	2010	2009
Accounts payable and accrued liabilities:		
- operating	\$ 27,123,593	26,866,337
- capital	7,319,643	2,465,813
- Ministry of Health and Long-Term Care / North East Local Health Integration Network	11,663,873	10,013,101
- capital expansion project	8,772,389	1,915,478
Payroll accruals:		
- salaries and wages	12,702,602	12,646,998
- vacation pay	13,778,688	13,094,197
- sick leave	825,993	884,021
Deferred revenue	10,630,669	13,674,720
	<b>\$ 92,817,450</b>	<b>81,560,665</b>

## 8. Capital expansion project obligation:

The Hospital entered into an agreement with EllisDon Corporation ("EllisDon") for the Phase II capital expansion project. The Hospital's construction obligation to EllisDon was paid in November 2009 as substantial completion was achieved in October 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.

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.

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2010

## 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:

	2010	2009
Balance, beginning of year	\$ 2,155,555	2,183,284
Contributions received	2,317,319	1,610,777
Amounts taken to revenue	(1,998,735)	(1,638,506)
Balance, end of year	\$ 2,474,139	2,155,555

## 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:

	2010	2009
Balance, beginning of year	\$ 225,298,157	205,649,311
Additional contributions		
Equipment and buildings:		
Ministry of Health and Long-Term Care /		
North East Local Health Integration Network	5,816,305	1,310,226
Cancer Care Ontario	522,928	874,911
Northern Cancer Research Foundation	15,430	165,969
Sudbury Regional Hospital Foundation	294,950	-
Other	403,245	576,834
	7,052,858	2,927,940
Capital expansion project:		
Ministry of Health and Long-Term Care - building	107,127,658	25,514,221
Ministry of Health and Long-Term Care - equipment	15,378,480	1,602,579
Sudbury Regional Hospital Foundation	7,771,149	1,343,863
City of Greater Sudbury	7,244,891	-
Other	188,659	279,970
	137,710,837	28,740,633
	144,763,695	31,668,573
Less amounts amortized to revenue	(16,682,876)	(12,019,727)
Balance, end of year	\$ 353,378,976	225,298,157

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2010

## 10. Deferred capital contributions (continued):

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

	2010	2009
Unamortized	\$ 346,615,094	201,907,173
Unspent:		
Equipment	295,897	1,120,287
Capital Project	6,467,985	22,270,697
	6,763,882	23,390,984
	\$ 353,378,976	225,298,157

## 11. Long-term obligations:

	2010	2009
Sudbury District Energy Corporation		
- energy services agreement	\$ 272,876	450,446
Hospira Healthcare Corporation	189,445	238,280
AMT Vantage Group Inc.	29,422	-
Accrued benefits obligation	8,768,998	8,070,057
	9,260,741	8,758,783
Less current portion	246,572	226,404
	\$ 9,014,169	8,532,379

- (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) In September 2009 the Hospital entered into a two year capital lease agreement with AMT Vantage Group Inc. for equipment with a monthly lease payment of \$1,664 at an annual discounted rate of 2.25%.

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2010

## 11. 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 most recent valuation of the employee future benefits was completed as at April 1, 2009. The next full valuation of the plan will be effective April 1, 2012.

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

	2010	2009
Balance, beginning of year	\$ 8,070,057	7,619,850
Add: Benefit costs	1,203,800	877,800
	9,273,857	8,497,650
Less: Benefit contributions	504,859	427,593
Balance, end of year	\$ 8,768,998	8,070,057

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:

	2010	2009
Discount rate	5.75%	7.25%
Dental cost trend rates	4.00%	4.00%
Extended health care trend rates	9.00%	8.50%

### 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 2010:

	Increase	Decrease
Net benefit cost	\$ 114,300	97,900
Accrued benefit obligation	1,107,900	966,600



# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2010

## 11. Long-term obligations (continued):

(e) Details of the future minimum payments by year end in aggregate, based on discount rates of 1.35%, 2.25% and 6% for the Hospira Healthcare, AMT Vantage and SDEC agreements respectively, are as follows:

2011	\$ 371,717
2012	261,733
2013	51,750
2014	39,146
Total minimum payments	724,346
Less amounts representing interest	232,603
Present value of net minimum payments	491,744
Less current portion	246,572
Non-current portion	\$ 245,172

## 12. Transitional costs:

	2010	2009
Total transitional costs:		
Post construction operating plan	\$ 4,385,675	1,771,992
Other transitional and multiple-site costs	1,218,440	1,406,250
	5,604,115	3,178,242
Less: Ministry of Health and Long-Term Care funding	(4,290,906)	(1,771,992)
	\$ 1,313,209	1,406,250

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2010

## 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 claim was fully settled in February 2010 resulting in an accumulated net cost of \$135,777 to the Hospital.

	2010	2009
Cumulative net cost, beginning of year	\$ 502,856	1,065,180
Extraordinary costs incurred	308,782	954,483
Insurance proceeds received or receivable	(675,961)	(1,516,707)
	(367,179)	(562,224)
Cumulative net cost, end of year	\$ 135,777	502,956

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

	2010	2009
Accounts receivable	\$ (1,056,565)	(863,920)
Inventories	101,823	(311,400)
Prepayments	(782,055)	(337,058)
Accounts payable and accrued liabilities	11,256,785	650,807
Capital expansion project obligation	(97,216,962)	97,216,962
	\$ (87,696,974)	96,355,391

## 15. 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 \$15,912,589 (2009 - \$15,133,396) and are included in employee benefits in the statement of operations. The most recent actuarial valuation of the Plan as at December 31, 2008 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, 2010

## 16. 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 \$8,066,099 (2009 - \$1,341,425) 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	
	2010	2009	2009	2008	2009	2008
Financial position:						
Total assets	\$ 5,976,822	11,406,657	3,525,510	4,046,793	774,603	605,037
Total liabilities	\$ 44,508	59,957	252,970	378,036	77,798	61,948
Net assets	5,932,314	11,346,700	3,272,540	3,668,757	696,805	543,089
	\$ 5,976,822	11,406,657	3,525,510	4,046,793	774,603	605,037
Results of operations:						
Total revenue	\$ 2,914,522	1,515,068	1,772,838	1,829,465	234,830	204,493
Total expenses	8,328,908	1,593,125	2,169,055	1,492,174	81,115	135,930
Net revenue (deficiency)	\$ (5,414,386)	(78,057)	(396,217)	337,291	153,715	68,563

Financial information for Northern Cancer Research Foundation and HRSRH Volunteer Association for 2010 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, 2010

## 16. 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 \$5,209,978 (2009 - \$5,008,092) 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, 2010, Sudbury Vascular Laboratory Ltd. had advances owing to the Hospital of \$960,418 (2009 - \$956,178).

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.	
	2010	2009	2010	2009
<b>Financial position:</b>				
Total assets	\$ 4,613,059	4,451,356	1,458,003	1,715,489
Total liabilities	\$ 1,357,383	1,367,105	701,751	1,364,640
Net assets	3,255,676	3,084,251	756,252	350,849
	\$ 4,613,059	4,451,356	1,458,003	1,715,489
<b>Results of operations:</b>				
Total revenue	\$ 7,391,677	6,954,324	1,954,858	1,665,183
Total expenses	7,220,252	6,943,053	1,488,565	1,499,827
Income taxes	—	—	60,890	18,294
Excess of revenue over expenses	\$ 171,425	11,271	405,403	147,062
<b>Cash flows:</b>				
Cash from (used in) operations	\$ 578,307	261,982	340,675	322,877
Cash from (used in) financing and investing activities	(383,387)	(541,420)	(601,246)	37,249
Increase (decrease) in cash	\$ 194,920	(279,438)	(260,571)	360,126

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2010

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## **17. Contingencies:**

### (a) Legal matters and litigation:

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.

### (b) Decommissioning, demolition and site restoration costs:

With the completion of Phase II of the capital project, the Hospital has consolidated its operations at its Laurentian site.

The Hospital's Memorial site continues to operate as a temporary Alternate Level of Care facility with the Hospital responsible for the operations and staffing of the facility. Operational funding is provided by the Ministry of Health and Long-Term Care and the North East Local Health Integration Network. The extent and timing of decommissioning, demolition and site restoration costs associated with the Memorial site, if any, are unknown at this time. As a result, no liability has been recorded in these financial statements.

The land and building for the St. Joseph's Health Centre Site is the property of the Sisters of St. Joseph's of Sault Ste Marie. The extent of any cost to the Hospital arising from the discontinuance of the site as a health care facility, including potential decommissioning, demolition and site restoration costs are unknown at this time. As a result, no liability has been recorded in these financial statements.

## **18. Complex continuing care program transfer:**

The transfer of the Hospital's complex continuing care program to the St. Joseph Health Centre occurred on June 1, 2010.

## **19. Fair value of financial assets and liabilities:**

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

# HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2010

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## **20. Change in accounting policies:**

Effective April 1, 2009, the Hospital adopted the Canadian Institute of Chartered Accountants ("CICA") amendments to the 4400 Sections of the CICA Handbook. These amendments eliminate the requirement to show net assets invested in capital assets as a separate component of net assets, clarify the requirement for revenue and expenses to be presented on a gross basis when the not-for-profit organization is acting as principal and require a statement of cash flow. Adoption of these recommendations had no significant impact on the financial statements for the year ended March 31, 2010.

Also, effective April 1, 2009, the Hospital adopted the Canadian Institute of Chartered Accountants ("CICA") amendments to section 1000 of the CICA Handbook. These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching of revenue and expense items. Adoption of these recommendations had no effect on the financial statements for the year ended March 31, 2010.

## **21. Comparative figures:**

Certain 2009 comparative figures have been reclassified to conform with the presentation adopted in 2010.