

Financial Statements of

**HÔPITAL RÉGIONAL DE
SUDBURY REGIONAL HOSPITAL**

Year ended March 31, 2011



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INDEPENDENT AUDITORS' REPORT

To the Members

We have audited the accompanying financial statements of **Hôpital Régional de Sudbury Regional Hospital** which comprise the statement of financial position as at March 31, 2011, the statements of operations, changes in deficiency in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Hôpital Régional de Sudbury Regional Hospital as at March 31, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

June 7, 2011
Sudbury, Canada

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Statement of Financial Position

March 31, 2011, with comparative figures for 2010

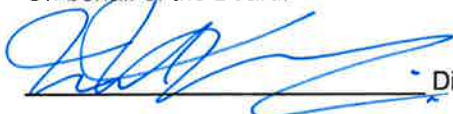
| | 2011 | 2010 |
|--------------------------------|-----------------------|--------------------|
| Assets | | |
| Current assets: | | |
| Accounts receivable (note 2) | \$ 34,451,189 | 20,519,826 |
| Inventories | 3,455,671 | 3,671,779 |
| Prepayments | 5,870,800 | 5,034,339 |
| | <u>43,777,660</u> | <u>29,225,944</u> |
| Restricted assets (note 3) | 948,006 | 4,957,208 |
| Long-term receivables (note 4) | 8,647,365 | 9,216,174 |
| Capital assets (note 5) | 391,032,439 | 402,395,014 |
| | <u>\$ 444,405,470</u> | <u>445,794,340</u> |

Liabilities, Deferred Contributions and Deficiency in Net Assets


| | | |
|--|-----------------------|--------------------|
| Current liabilities: | | |
| Bank indebtedness (note 6) | \$ 47,835,065 | 28,962,281 |
| Accounts payable and accrued liabilities (note 7) | 87,999,777 | 92,817,450 |
| Current portion of long-term obligations (note 10) | 165,290 | 246,572 |
| | <u>136,000,132</u> | <u>122,026,303</u> |
| Deferred contributions (note 8) | 2,338,237 | 2,474,139 |
| Deferred capital contributions (note 9) | 342,418,073 | 353,378,976 |
| Long-term obligations (note 10) | 9,826,025 | 9,014,169 |
| Deficiency in net assets | (46,176,997) | (41,099,247) |
| Contingencies (note 15) | | |
| | <u>\$ 444,405,470</u> | <u>445,794,340</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, 2011, with comparative figures for 2010

| | 2011 | 2010 |
|---|-----------------------|--------------------|
| Revenue: | | |
| North East Local Health Integration Network/ Ministry of Health and Long-Term Care | \$ 283,654,648 | 266,006,594 |
| Cancer Care Ontario | 31,035,514 | 29,983,854 |
| Specifically funded programs | 26,128,155 | 25,806,460 |
| Patient services | 28,879,950 | 28,556,097 |
| Other | 27,937,256 | 22,326,884 |
| Amortization - deferred capital contributions for equipment | 11,787,319 | 9,600,384 |
| | <u>409,422,842</u> | <u>382,280,273</u> |
| Expenses: | | |
| Salaries and wages | 189,986,472 | 177,161,917 |
| Employee benefits | 52,892,345 | 47,274,852 |
| Medical staff remuneration | 23,977,562 | 23,070,443 |
| Supplies and other | 51,287,908 | 48,913,987 |
| Medical and surgical | 27,984,279 | 25,794,653 |
| Drugs | 16,805,167 | 15,920,043 |
| Specifically funded programs | 26,062,597 | 25,791,737 |
| Amortization - equipment | 23,308,064 | 20,028,987 |
| | <u>412,304,394</u> | <u>383,956,619</u> |
| | (2,881,552) | (1,676,346) |
| Transitional costs (note 11) | - | (1,313,209) |
| Deficiency of revenue over expenses before the undernoted | (2,881,552) | (2,989,555) |
| Amortization - buildings | (11,425,385) | (8,952,843) |
| Amortization - deferred capital contributions for buildings | 9,229,187 | 7,082,492 |
| Deficiency of revenue over expenses | \$ (5,077,750) | (4,859,906) |

See accompanying notes to financial statements.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Statement of Changes in Deficiency in Net Assets

Year ended March 31, 2011, with comparative figures for 2010

| | 2011 | 2010 |
|--|------------------------|---------------------|
| Deficiency in net assets, beginning of year | \$ (41,099,247) | (36,239,341) |
| Deficiency of revenue over expenses | (5,077,750) | (4,859,906) |
| Deficiency in net assets, end of year | \$ (46,176,997) | (41,099,247) |

See accompanying notes to financial statements.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010

| | 2011 | 2010 |
|--|-----------------|--------------|
| Cash flows from operating activities: | | |
| Deficiency of revenue over expenses | \$ (5,077,750) | (4,859,906) |
| Adjustments for: | | |
| Amortization of capital assets | 34,733,449 | 28,981,829 |
| Amortization of deferred capital contributions | (21,016,506) | (16,682,876) |
| Amortization of accrued benefits obligation | 967,250 | 698,941 |
| Loss (gain) on disposal of capital assets | 66,155 | (44,413) |
| | 9,672,598 | 8,093,575 |
| Change in non-cash working capital (note 12) | (19,369,389) | (87,696,974) |
| | (9,696,791) | (79,603,399) |
| Cash flows from investing and financing activities: | | |
| Additions to capital assets: | | |
| - capital expansion project-building | (6,014,081) | (40,181,108) |
| - capital expansion project-equipment | (1,462,959) | (24,950,505) |
| - equipment | (11,988,535) | (21,427,051) |
| - building | (3,905,881) | (9,389,234) |
| - medical learners project | (177,950) | - |
| Decrease (increase) in long-term receivables | 568,809 | (6,479,065) |
| Increase (decrease) in deferred contributions | (135,902) | 318,584 |
| Increase in deferred capital contributions | 10,055,603 | 144,763,695 |
| Decrease in long-term obligations | (236,676) | (196,983) |
| Proceeds on disposal of capital assets | 112,377 | 44,413 |
| Decrease in restricted assets | 4,009,202 | 26,743,779 |
| | (9,175,993) | 69,246,525 |
| Net decrease in cash | (18,872,784) | (10,356,874) |
| Bank indebtedness, beginning of year | (28,962,281) | (18,605,407) |
| Bank indebtedness, end of year | \$ (47,835,065) | (28,962,281) |

See accompanying notes to financial statements.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2011

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, 2011

1. Significant accounting policies (continued):

(c) Capital assets:

Purchased capital assets 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:

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

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, 2011

1. Significant accounting policies (continued):

(d) Related entities:

The notes to financial statements include information of the following entities (note 14):

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, 2011

1. Significant accounting policies (continued):

(g) Funding adjustments:

The Hospital receives grants from the North East Local Health Integration Network ("NELHIN") and the Ministry of Health and Long-Term Care ("MOHLTC") for specific services. Pursuant to the related agreements, if the Hospital does not meet specified levels of activity, the MOHLTC 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.

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.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2011

1. Significant accounting policies (continued):

(j) Financial instruments (continued):

(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:

| | 2011 | 2010 |
|---|---------------|------------|
| North East Local Health Integration Network/ Ministry of Health and Long-Term Care | \$ 16,302,478 | 6,900,126 |
| Patients and clients | 11,736,698 | 8,910,455 |
| Cancer Care Ontario | 1,398,613 | 1,951,152 |
| Canada Revenue Agency (HST/GST) | 1,794,728 | 728,678 |
| Current portion of long-term receivables | 551,638 | 525,827 |
| Other | 5,254,657 | 2,412,588 |
| | 37,038,812 | 21,428,826 |
| Less allowance for doubtful accounts | (2,587,623) | (909,000) |
| | \$ 34,451,189 | 20,519,826 |

3. Restricted assets:

| | 2011 | 2010 |
|--|------------|-----------|
| Cash | \$ 299 | 3,960,885 |
| Short term investments | 446,095 | 574,590 |
| Ministry of Health and Long-Term Care receivable | 501,612 | 421,733 |
| | \$ 948,006 | 4,957,208 |

Restricted assets are restricted for the capital expansion project.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2011

4. Long-term receivables:

| | 2011 | 2010 |
|-------------------------------------|--------------|-----------|
| Cancer Care Ontario | \$ 63,509 | 80,679 |
| Northern Cancer Research Foundation | 2,484,229 | 2,627,447 |
| City of Greater Sudbury | 6,651,265 | 7,033,875 |
| | 9,199,003 | 9,742,001 |
| Less current portion | 551,638 | 525,827 |
| | \$ 8,647,365 | 9,216,174 |

5. Capital assets:

| | 2011 | | 2010 | |
|-------------------------------|----------------|-----------------------------|-------------|-----------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Property | \$ 1,711,011 | - | 1,711,011 | - |
| Buildings | 100,444,665 | 57,435,514 | 99,126,998 | 55,931,686 |
| Furniture and equipment | 72,927,700 | 35,506,413 | 154,109,867 | 115,305,524 |
| Information technology | 39,452,959 | 31,132,459 | 40,895,934 | 29,363,658 |
| Assets under capital leases | 3,799,719 | 2,392,932 | 3,799,719 | 2,207,279 |
| Capital project - building | 286,759,315 | 17,250,540 | 280,745,234 | 10,068,888 |
| Capital project - equipment | 47,246,067 | 18,877,282 | 49,488,408 | 14,846,736 |
| Projects in progress | 1,286,143 | - | 241,614 | - |
| | 553,627,579 | 162,595,140 | 630,118,785 | 227,723,771 |
| Less accumulated amortization | 162,595,140 | | 227,723,771 | |
| | \$ 391,032,439 | | 402,395,014 | |

6. Bank indebtedness:

| | 2011 | 2010 |
|-----------------------|---------------|------------|
| Short-term borrowings | \$ 47,835,065 | 28,962,281 |

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 (2010 - prime rate). Subsequent to March 31, 2011, the operating line and bridge loan were fully paid.

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2011

7. Accounts payable and accrued liabilities:

| | 2011 | 2010 |
|---|----------------------|-------------------|
| Accounts payable and accrued liabilities: | | |
| - operating | \$ 23,163,802 | 27,123,593 |
| - capital | 1,969,557 | 7,319,643 |
| - North East Local Health Integration Network/ Ministry of Health and Long-Term Care | 6,849,898 | 11,663,873 |
| - capital expansion project | 3,677,026 | 8,772,389 |
| Payroll accruals: | | |
| - salaries and wages | 12,601,395 | 12,702,602 |
| - vacation pay | 14,211,049 | 13,778,688 |
| - sick leave | 697,367 | 825,993 |
| Deferred revenue | 24,829,683 | 10,630,669 |
| | \$ 87,999,777 | 92,817,450 |

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:

| | 2011 | 2010 |
|----------------------------|---------------------|------------------|
| Balance, beginning of year | \$ 2,474,139 | 2,155,555 |
| Contributions received | 2,239,661 | 2,317,319 |
| Amounts taken to revenue | (2,375,563) | (1,998,735) |
| Balance, end of year | \$ 2,338,237 | 2,474,139 |

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2011

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:

| | 2011 | 2010 |
|--|----------------|--------------|
| Balance, beginning of year | \$ 353,378,976 | 225,298,157 |
| Additional contributions | | |
| Equipment and buildings: | | |
| North East Local Health Integration Network / Ministry of Health and Long-Term Care | 2,432,899 | 5,816,305 |
| Cancer Care Ontario | 3,726,718 | 522,928 |
| Northern Cancer Research Foundation | 57,708 | 15,430 |
| HRSRH Volunteer Association | 52,164 | - |
| Sudbury Regional Hospital Foundation | 6,000 | 294,950 |
| Other | 2,673,355 | 403,245 |
| | 8,948,844 | 7,052,858 |
| Capital expansion projects: | | |
| Ministry of Health and Long-Term Care - medical learners | 720,000 | - |
| Ministry of Health and Long-Term Care - building | 79,880 | 107,127,658 |
| Ministry of Health and Long-Term Care - equipment | - | 15,378,480 |
| Sudbury Regional Hospital Foundation | - | 7,771,149 |
| City of Greater Sudbury | 305,046 | 7,244,891 |
| Other | 1,833 | 188,659 |
| | 1,106,759 | 137,710,837 |
| | 10,055,603 | 144,763,695 |
| Less: Amounts amortized to revenue | (21,016,506) | (16,682,876) |
| Balance, end of year | \$ 342,418,073 | 353,378,976 |

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

| | | |
|----------------------------------|----------------|-------------|
| Unamortized | \$ 339,691,967 | 346,615,094 |
| Unspent: | | |
| Equipment | 1,002,599 | 295,897 |
| Capital Project | 1,181,458 | 6,467,985 |
| Medical Learners Capital project | 542,049 | - |
| | 2,726,106 | 6,763,882 |
| | \$ 342,418,073 | 353,378,976 |

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2011

10. Long-term obligations:

| | 2011 | 2010 |
|-----------------------------|--------------|-----------|
| Accrued benefits obligation | \$ 9,736,248 | 8,768,998 |
| Other | 255,067 | 491,743 |
| | 9,991,315 | 9,260,741 |
| Less current portion | 165,290 | 246,572 |
| | \$ 9,826,025 | 9,014,169 |

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 valuation was updated as of April 1, 2010. 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:

| | 2011 | 2010 |
|-----------------------------|--------------|-----------|
| Balance, beginning of year | \$ 8,768,998 | 8,070,057 |
| Add: Benefit costs | 1,411,400 | 1,203,800 |
| | 10,180,398 | 9,273,857 |
| Less: Benefit contributions | 444,150 | 504,859 |
| Balance, end of year | \$ 9,736,248 | 8,768,998 |

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:

| | 2011 | 2010 |
|----------------------------------|-------|-------|
| Discount rate | 5.25% | 5.75% |
| Dental cost trend rates | 4.00% | 4.00% |
| Extended health care trend rates | 9.00% | 9.00% |

HÔPITAL RÉGIONAL DE SUDBURY REGIONAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2011

10. Long-term obligations (continued):

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 2011:

| | Increase | Decrease |
|----------------------------|------------|-----------|
| Net benefit cost | \$ 132,100 | 112,600 |
| Accrued benefit obligation | 1,209,900 | 1,054,300 |

11. Transitional costs:

| | 2011 | 2010 |
|---|--------------|-------------|
| Total transitional costs: | | |
| Post construction operating plan | \$ 2,306,100 | 4,385,675 |
| Other transitional and multiple-site costs | – | 1,218,440 |
| | 2,306,100 | 5,604,115 |
| Less: Ministry of Health and Long-Term Care funding | (2,306,100) | (4,290,906) |
| | \$ – | 1,313,209 |

12. Change in non-cash working capital:

| | 2011 | 2010 |
|--|-----------------|--------------|
| Accounts receivable | \$ (13,931,363) | (1,056,565) |
| Inventories | 216,108 | 101,823 |
| Prepayments | (836,461) | (782,055) |
| Accounts payable and accrued liabilities | (4,817,673) | 11,256,785 |
| Capital expansion project obligation | – | (97,216,962) |
| | \$ (19,369,389) | (87,696,974) |

13. Pension plan:

Substantially all of the employees of the Hospital are members of the Hospitals of Ontario Pension Plan (the "Plan") which is a multi-employer defined benefit plan. Contributions to the Plan made during the year on behalf of employees amounted to \$16,580,395 (2010 - \$15,912,589) and are included in employee benefits in the statement of operations. The most recent actuarial valuation of the Plan as at December 31, 2009 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, 2011

14. 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 \$747,858 (2010 - \$8,080,150) 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 | 2010 | 2009 | 2010 | 2009 |
| Financial position: | | | | | | |
| Total assets | \$ 5,976,822 | 4,613,059 | 3,834,002 | 3,525,510 | 850,297 | 774,603 |
| Total liabilities | \$ 44,508 | 1,357,383 | 63,396 | 252,970 | 72,051 | 73,315 |
| Net assets | 5,932,314 | 3,255,676 | 3,770,606 | 3,272,540 | 778,246 | 701,288 |
| | \$ 5,976,822 | 4,613,059 | 3,834,002 | 3,525,510 | 850,297 | 774,603 |
| Results of operations: | | | | | | |
| Total revenue | \$ 2,914,522 | 7,391,677 | 1,701,776 | 1,772,838 | 210,683 | 239,313 |
| Total expenses | 8,328,908 | 7,220,252 | 1,203,710 | 2,169,055 | 133,725 | 81,115 |
| Net revenue (deficiency) | \$ (5,414,386) | 171,425 | 498,066 | (396,217) | 76,958 | 158,198 |

Financial information for Sudbury Regional Hospital Foundation, Northern Cancer Research Foundation and HRSRH Volunteer Association for 2011 was not available at the time of the audit report date.

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14. Other entities (continued):

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

Sudbury Hospital Services was created to provide laundry and steam 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 \$5,307,972 (2010 - \$5,209,978) in laundry, warewashing, transport and steam 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, 2011, Sudbury Vascular Laboratory Ltd. had total amounts owing to the Hospital of \$1,264,750 (2010 - \$960,418).

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. | |
|---|---------------------------|-----------|----------------------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Financial position: | | | | |
| Total assets | \$ 4,736,172 | 4,613,059 | 1,643,801 | 1,456,026 |
| Total liabilities | \$ 1,432,140 | 1,357,383 | 659,100 | 705,501 |
| Net assets | 3,304,032 | 3,255,676 | 984,701 | 750,525 |
| | \$ 4,736,172 | 4,613,059 | 1,643,801 | 1,456,026 |
| Results of operations: | | | | |
| Total revenue | \$ 7,513,701 | 7,391,677 | 1,687,091 | 1,954,858 |
| Total expenses | 7,465,345 | 7,220,252 | 1,416,380 | 1,492,315 |
| Income taxes | — | — | 36,535 | 62,867 |
| Excess of revenue over expenses | \$ 48,356 | 171,425 | 234,176 | 399,676 |
| Cash flows: | | | | |
| Cash from (used in) operations | \$ 318,867 | 578,307 | 484,480 | 340,675 |
| Cash from (used in) financing and investing activities | (734,399) | (383,387) | (163,169) | (601,246) |
| Increase (decrease) in cash | \$ (415,532) | 194,920 | 321,311 | (260,571) |

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Notes to Financial Statements

Year ended March 31, 2011

15. Contingencies:

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.

16. 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.