

North Bay General Hospital
Financial Statements
For the year ended March 31, 2009

North Bay General Hospital
Financial Statements
For the year ended March 31, 2009

Contents

Auditors' Report	2
Financial Statements	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Statement of Cash Flows	6
Summary of Significant Accounting Policies	7 - 11
Notes to Financial Statements	12 - 27
Auditors' Comments on Supplementary Financial Information	28
Schedule 1 - Statement of Operations - Operating Fund	29
Schedule 2 - Statement of Operations - Capital Asset Fund	30
Schedule 3 - Statement of Operations - Administered Programs Fund	31



BDO Dunwoody LLP
Chartered Accountants
and Advisors

142 Main Street West
North Bay, Ontario, P1B 2T5
Telephone: (705) 495-2000
Toll Free: 1-800-461-6324
Fax: (705) 495-2001
www.bdo.ca

Auditors' Report

To the Members of North Bay General Hospital

We have audited the statement of financial position of North Bay General Hospital as at March 31, 2009 and the statements of changes in net assets, operations 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 its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants, Licensed Public Accountants

May 13, 2009
North Bay, Ontario

North Bay General Hospital Statement of Financial Position

March 31

2009

2008

	Operating Fund	Capital Asset Fund	NBRHC Project Fund	Total	Total
Assets					
Current					
Cash	\$ 1,494,544	\$ -	\$ -	\$ 1,494,544	\$ 254,949
Restricted cash and investments (Note 3)	-	-	819,801	819,801	806,631
Accounts receivable (Note 2)	4,783,380	-	1,818,575	6,601,955	6,484,238
Inventories	1,876,231	-	-	1,876,231	1,938,674
Prepaid expenses	948,891	-	-	948,891	852,211
	<u>9,103,046</u>	<u>-</u>	<u>2,638,376</u>	<u>11,741,422</u>	<u>10,336,703</u>
Long-term receivables (Note 6a)	1,378,590	-	-	1,378,590	1,223,062
Long-term donations receivable (Note 4ii)	-	-	13,231,265	13,231,265	13,761,910
Restricted cash and investments (Note 3)	-	44,499	61,462,315	61,506,814	49,978,772
Capital assets (Note 4)	-	23,869,066	221,550,205	245,419,271	136,374,555
	<u>\$ 10,481,636</u>	<u>\$ 23,913,565</u>	<u>\$ 298,882,161</u>	<u>\$ 333,277,362</u>	<u>\$ 211,675,002</u>
Liabilities and Net Assets					
Current					
Bank indebtedness (Note 5)	\$ 12,438,000	\$ -	\$ -	\$ 12,438,000	\$ 9,291,925
Accounts payable and accrued liabilities	15,890,278	-	2,638,376	18,528,654	15,227,904
Accrued vacation pay and overtime	3,906,756	-	-	3,906,756	3,068,341
Deferred revenue	3,071,371	-	-	3,071,371	678,970
Current portion of long-term debt (Note 6b)	193,333	-	-	193,333	151,667
Current portion of obligations under capital lease (Note 7)	120,318	-	-	120,318	-
	<u>35,620,056</u>	<u>-</u>	<u>2,638,376</u>	<u>38,258,432</u>	<u>28,418,807</u>
Long-term debt (Note 6b)	765,000	-	-	765,000	708,333
Obligations under capital lease (Note 7)	298,004	-	-	298,004	158,306
Due to NEMHC (Note 4i)	-	-	1,739,150	1,739,150	2,854,048
Accrued benefits liability (Note 9)	5,172,200	-	-	5,172,200	4,882,700
Deferred capital contributions (Note 15)	-	11,905,980	104,935,109	116,841,089	98,186,336
Deferred contributions - administered programs	-	44,499	-	44,499	2,978,739
Long-term obligation - NBRHC (Note 10b)	-	-	189,569,526	189,569,526	86,059,001
	<u>41,855,260</u>	<u>11,950,479</u>	<u>298,882,161</u>	<u>352,687,900</u>	<u>224,246,270</u>
Commitments and Contingencies (Note 10)					
Net Assets					
Invested in capital assets (Note 16a)	-	11,963,086	-	11,963,086	12,977,113
Unrestricted (deficiency)	(31,373,624)	-	-	(31,373,624)	(25,548,381)
	<u>(31,373,624)</u>	<u>11,963,086</u>	<u>-</u>	<u>(19,410,538)</u>	<u>(12,571,268)</u>
	<u>\$ 10,481,636</u>	<u>\$ 23,913,565</u>	<u>\$ 298,882,161</u>	<u>\$ 333,277,362</u>	<u>\$ 211,675,002</u>

On behalf of the Board:

Director

Director

North Bay General Hospital Statement of Changes in Net Assets

For the year ended March 31	2009			2008
	Unrestricted (deficiency)	Invested in Capital Assets (Note 16)	Total	Total
Net assets , beginning of year	\$ (25,548,381)	\$ 12,977,113	\$ (12,571,268)	\$ (9,580,660)
Excess of expenses over revenues	(4,121,313)	(2,717,957)	(6,839,270)	(2,990,608)
Interfund transfers (Note 16b)	(1,703,930)	1,703,930	-	-
Net assets , end of year	\$ (31,373,624)	\$ 11,963,086	\$ (19,410,538)	\$ (12,571,268)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

North Bay General Hospital Statement of Operations

For the year ended March 31	2009	2008
Revenues		
Ministry of Health and Long-Term Care / Local Health Integration Network (Notes 1 and 11)	\$ 95,646,935	\$ 88,310,262
Other patient revenues	7,851,948	7,778,695
Preferred accommodation	1,869,433	1,897,430
Parking	446,340	470,029
Other revenues and recoveries (Note 1)	15,961,744	3,757,507
Loss on disposal of assets	(85,113)	(25,898)
Amortization of deferred contributions - furniture and equipment (Note 15)	2,296,167	2,207,016
Administered programs	11,358,604	9,126,226
	135,346,058	113,521,267
Expenses		
Salaries, wages and medical staff remuneration	76,836,243	63,188,601
Employee benefits (Note 9)	17,848,694	15,874,179
Other supplies and expenses	18,149,809	13,811,125
Interest and bank charges	71,223	204,846
Medical and surgical supplies	6,658,539	6,149,909
Drugs	4,753,005	3,899,741
Amortization - furniture and equipment	4,239,618	3,769,838
Administered programs	11,358,604	9,126,226
	139,915,735	116,024,465
Excess of Expenses over Revenues before amortization of buildings and deferred contributions	(4,569,677)	(2,503,198)
Amortization of buildings and deferred contributions		
Amortization of deferred contributions - buildings (Note 15)	486,563	435,549
Amortization - buildings	(1,261,069)	(922,959)
	(774,506)	(487,410)
Excess of Expenses over Revenues before other items	(5,344,183)	(2,990,608)
Transition costs (Note 18)	(2,142,727)	-
Recovery of transition costs (Note 18)	647,640	-
	(1,495,087)	-
Excess of Expenses over Revenues for the year	\$ (6,839,270)	\$ (2,990,608)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

North Bay General Hospital Statement of Cash Flows

For the year ended March 31

2009

2008

Cash provided by (used in)

Operating activities

Excess of expenses over revenues for the year	\$ (6,839,270)	\$ (2,990,608)
Items not involving cash		
Amortization of capital assets	5,500,687	4,692,797
Amortization of deferred contributions	(2,782,730)	(2,642,565)
Loss on disposal of capital assets	85,113	25,898
Change in accrued benefits liability	289,500	347,800
	<u>(3,746,700)</u>	<u>(566,678)</u>
Changes in non-cash working capital balances		
Accounts receivable	(117,717)	24,730
Inventories	62,443	(96,437)
Prepaid expenses	(96,680)	(73,840)
Accounts payable and accrued liabilities	3,300,750	3,015,694
Accrued vacation pay and overtime	838,415	478,176
Deferred revenue	2,392,401	(1,948,586)
	<u>2,632,912</u>	<u>833,059</u>

Investing activities

Purchase of capital assets, net of disposals	(114,630,516)	(94,244,882)
(Increase) decrease in investments	(11,541,212)	196,083
Long-term receivables	(155,528)	(863,062)
Long-term donations receivable	530,645	(13,761,910)
	<u>(125,796,611)</u>	<u>(108,673,771)</u>

Financing activities

Repayment of long-term debt	(151,667)	(150,000)
Repayment of obligations under capital lease	(211,439)	(279,961)
Increase in obligations under capital lease	471,455	-
Increase in long-term debt	250,000	710,000
Increase in NBRHC obligation	103,510,525	86,059,001
Increase (decrease) in bank indebtedness	3,146,075	(969,527)
Deferred contributions, donations and interest	18,503,243	24,136,458
Due to NEMHC	(1,114,898)	(1,483,649)
	<u>124,403,294</u>	<u>108,022,322</u>

Increase in cash and cash equivalents during the year

1,239,595 181,610

Cash and cash equivalents, beginning of year

254,949 73,339

Cash and cash equivalents, end of year

\$ 1,494,544 \$ 254,949

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

North Bay General Hospital Summary of Significant Accounting Policies

March 31, 2009

Nature of Business

North Bay General Hospital (the "Hospital") was incorporated under the Ontario Business Corporations Act on April 1, 1995. The Hospital is principally involved in providing health care services to the Nipissing area of northeastern Ontario. The Hospital is a registered charity under the Income Tax Act and accordingly is exempt from income taxes under section 149.1 of the Income Tax Act.

On June 30, 2008, eight Community Mental Health programs and 22 support service departments were transferred from North East Mental Health Centre (NEMHC) to the Hospital. Also transferred were the staff and management of the 40 bed District Mental Health (DMH) program at NEMHC.

Accrual Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting which recognizes revenues as they become available and measurable. Expenses are recognized as they are incurred and measurable as a result of goods or services and the creation of a legal obligation to pay.

Fund Accounting

The Operating Fund accounts for the Hospital's program delivery and administrative activities. The fund reports unrestricted resources and restricted operating grants.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the Hospital's capital assets.

The North Bay Regional Health Centre (NBRHC) Project Fund reports all the assets and liabilities of the new hospital building project, except the share pertaining to NEMHC.

The Administered Programs Fund reports assets, liabilities, revenues and expenses related to certain programs administered on behalf of the Ontario Ministries of Health and Long-Term Care and Community and Social Services, the District of Nipissing Social Services Administration Board and the Municipality of Parry Sound.

Inventories

Inventories are valued at the lower of average or replacement cost on a first-in, first-out basis.

North Bay General Hospital Summary of Significant Accounting Policies

March 31, 2009

Capital Assets

Purchased capital assets are recorded in the Capital Asset Fund at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expenses. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value.

Amortization of capital assets is calculated using the straight-line method, over their estimated useful lives, using the following rates:

Land	- no amortization
Land improvements	- 5 % - 20 %
Buildings - other	- 2 % - 10 %
Buildings - McLaren	- 20 %
Building service equipment	- 4 % - 10 %
Major equipment	- 5 % - 33 %
Equipment under capital lease	- 10 % - 20 %
Construction in progress	- amortization to commence once asset is ready for use

Revenue Recognition

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

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recorded as revenues when received or receivable if the amount to be received can be reasonably estimated and collection reasonably assured.

Contributions restricted for the purchase of capital assets are deferred and amortized to revenues at rates corresponding to those of the related capital assets.

Investment income earned on restricted funds is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Fees for medical services are recognized as revenue of the Operating Fund when the services are provided.

North Bay General Hospital Summary of Significant Accounting Policies

March 31, 2009

Accrued Benefits Liability

The Hospital retroactively adopted the new Canadian generally accepted accounting principles for employee future benefits effective April 1, 2000. The Hospital accrued its obligations under employee benefit plans and the related costs. The Hospital has adopted the following policy:

The cost of retirement benefits earned by employees is actuarially determined using the projected unit method prorated on service and management's best estimate of salary escalation (where applicable), retirement ages of employees and expected health care costs.

The Hospital measures its accrued benefits liability and the fair value of the plan assets for accounting purposes as at March 31 of each year. The most recent actuarial valuation of the plan for funding was at March 31, 2009 (Note 9).

The current services cost for the period is equal to the actuarial present value of benefits attributed to employees' services rendered in the period.

Past service costs from plan amendments are amortized on a straight line basis over the average remaining service period of the employees active at the date of the amendment.

The excess of the net actuarial gains (losses) over 10% of the accrued benefit obligation are amortized into expenses on a straight line basis over the average remaining service period of the active employees to full eligibility.

Financial Instruments

The Hospital classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired or liability incurred. The Hospital's accounting policy for each category is as follows:

Held-for-trading

Financial instruments classified as held-for-trading are reported at fair value at each balance sheet date, and any change in fair value is recognized in net income (loss) in the period during which the change occurs. Transaction costs are expensed when incurred.

Cash, restricted cash and bank indebtedness have been classified as held-for-trading.

North Bay General Hospital Summary of Significant Accounting Policies

March 31, 2009

Financial Instruments (continued) Held-to-maturity investments

Financial instruments classified as held-to-maturity investments are carried at amortized cost using the effective interest method. Interest income or expense is included in net income (loss) over the expected life of the instrument. Transaction costs are capitalized to the asset.

Restricted investments have been classified as held-to-maturity investments.

Loans and receivables and other financial liabilities

Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method. Transaction costs are expensed when incurred.

Accounts receivable, long-term receivables and long-term donations receivable have been classified as loans and receivables.

Accounts payable and accrued liabilities, long-term debt, obligations under capital lease and due to NEMHC have been classified as other financial liabilities.

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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Accounts receivable and employee future benefits are reported based on amounts expected to be recovered or incurred and reflect an appropriate allowance for unrecoverable amounts based on management's estimates. Amounts recorded for inventory obsolescence and amortization of capital assets are based on estimates of useful service life.

North Bay General Hospital Summary of Significant Accounting Policies

March 31, 2009

New Accounting Pronouncements

Financial Instruments – Disclosures and Presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments – Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Hospital is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

Financial Statement Presentation by Not for Profit Organizations

Section 4400 has been amended for the treatment of net assets invested in capital assets and for the presentation of revenues and expenses. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Hospital is currently assessing the impact of the new standard.

North Bay General Hospital Notes to Financial Statements

March 31, 2009

1. Significant Event

Effective June 30, 2008, eight Community Mental Health programs and 22 support service departments were transferred from NEMHC to the Hospital. The funding from the Local Health Integration Network (LHIN) for the eight community mental health programs was transferred to the Hospital impacting revenues and expenses to an extent of \$5 million.

The 22 support services were transferred with LHIN funding only to the extent that they support the Hospital. The services provided to NEMHC are reported as other revenues and recoveries in the statement of operations. Revenues and expenses increased by approximately \$8 million as a result.

Also transferred were the staff and management of the 40 bed DMH program located at NEMHC. Transfer of responsibility for these patients was pending receipt of Schedule 1 status from the Ministry of Health and Long Term Care. While the LHIN funding for the DMH program was budgeted to be redirected to the Hospital, because Schedule 1 status was still outstanding, the Hospital provided support for these programs as a service purchased by NEMHC. The impact of the DMH transfer on revenues and expenses was approximately \$4 million.

Subsequent to year end, effective in May 2009 the Schedule 1 status was granted.

2. Accounts Receivable

	2009	2008
Ontario Ministry of Health and Long-Term Care / Local Health Integration Network		
- Operating	\$ 916,208	\$ 68,650
- One time grant - operating	-	826,000
Insurers and patients	2,141,351	2,201,954
North Bay and District Hospital Foundation	422,585	492,407
Municipal donations - short-term	1,308,133	1,207,942
Other health care facilities / organizations	1,110,008	1,338,957
Goods and services tax and other	703,670	348,328
	\$ 6,601,955	\$ 6,484,238

North Bay General Hospital Notes to Financial Statements

March 31, 2009

3. Restricted Cash and Investments

Restricted cash and investments consists of the following:

	2009	2008
Cash - project	\$ 3,599,463	\$ 2,867,612
Cash - administered programs	44,499	38,739
Bonds and Guaranteed Investment Certificates, recorded at amortized cost, bearing interest at rates ranging from 3.73% to 4.8%, maturing between May 2009 and August 2010.	58,682,653	47,879,052
	<u>\$ 62,326,615</u>	<u>\$ 50,785,403</u>
Current portion	\$ 819,801	\$ 806,631
Long-term portion	61,506,814	49,978,772
	<u>\$ 62,326,615</u>	<u>\$ 50,785,403</u>
Fair value	<u>\$ 62,385,227</u>	<u>\$ 51,595,419</u>

North Bay General Hospital Notes to Financial Statements

March 31, 2009

4. Capital Assets

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 274,699	\$ -	\$ 274,699	\$ -
Buildings	15,157,344	10,942,113	14,932,529	9,926,186
Leasehold improvements	39,794	13,500	39,794	5,409
Equipment	60,755,593	42,615,075	56,685,223	38,556,890
Equipment under capital leases	1,208,488	448,432	719,578	277,651
Construction in progress - CCAC	452,268	-	-	-
	77,888,186	54,019,120	72,651,823	48,766,136
North Bay Regional Health Project:				
- Construction in progress (i, ii)	220,770,205	-	111,708,868	-
- Land - in trust (iii)	780,000	-	780,000	-
	221,550,205	-	112,488,868	-
	\$299,438,391	\$ 54,019,120	\$185,140,691	\$ 48,766,136
Net book value		\$245,419,271		\$136,374,555

- (i) The construction in progress includes the Hospital's portion of all costs incurred to date relating to the development and construction of the new NBRHC. As disclosed in Note 10b this project is a joint undertaking with the NEMHC. In the Hospital's capacity as Paymaster, funding has been received and expenditures have been made that are attributable to the NEMHC's share of the construction costs. These costs will be recovered from NEMHC on or before completion of the project. Funding to date has exceeded costs to a net amount due to NEMHC of \$1,739,150.
- (ii) The Hospital has recognized municipal contributions in connection with this project, receivable over the next several years, at the net present value of \$14,539,398, which approximates fair value.
- (iii) The land - in trust, held as tenants in common, represents a parcel of land contributed by both Canadore College of Applied Arts and Technology and Nipissing University to North Bay General Hospital and Northeast Mental Health Centre on December 10, 2002. An amount of \$780,000 has been reflected in these financial statements, which represents fifty percent of the estimated fair value for this parcel of land. The fair value was determined based upon management's best estimates, using information available at the time of the transfer.

North Bay General Hospital Notes to Financial Statements

March 31, 2009

5. Bank Indebtedness

The Hospital has an available unsecured line of credit of \$12,000,000, provided that between March 1, 2009 to May 31, 2009 the amount increases to \$20,000,000. This credit bears interest at the bank's prime lending rate less 0.50% for the first \$12,000,000 and the bank's prime lending rate less 0.25% for amounts including and in excess of \$12,000,001 which is reviewed quarterly. At year end, \$12,438,000 (2008 - \$9,569,000) of the line of credit was being used.

6. Long-term Receivables / Long-term Debt

a. Long-term receivables

As at March 31, 2009, this includes \$1,044,403 (2008 - \$888,875) in recruitment loans and \$334,187 (2008 - \$334,187) in other receivables. These non-interest bearing recruitment loans are expected to be realized in the amounts of \$52,125, \$168,625, \$253,000, \$426,000 in fiscal 2010 to 2013 respectively with the remaining \$144,653 due thereafter.

b. Long-term debt

	2009		2008
Recruitment loans, payable in annual installments, interest payable monthly at the bank's prime lending rate plus 0.25%, final installment due September 2014.	\$ 958,333	\$	860,000
Current portion	193,333		151,667
	\$ 765,000	\$	708,333

North Bay General Hospital Notes to Financial Statements

March 31, 2009

6. Long-term Receivables / Long-term Debt (continued)

Principal repayments for the next five years and thereafter are as follows:

2010	\$ 193,333
2011	193,333
2012	193,333
2013	176,667
2014	160,000
Thereafter	<u>41,667</u>
	<u>\$ 958,333</u>

The fair value of the long-term debt approximates carrying value and has been determined based on the discounted cash flows using the estimated incremental borrowing rate of the Hospital for debt of the same remaining maturity. It is not management's intention to renew the long-term debt until its maturity.

7. Obligations Under Capital Lease

The Hospital has entered into several capital lease agreements for medical equipment with a cost of \$1,208,488. Amortization on this equipment to date is \$448,432.

The future minimum lease payments for the next five years, including interest, are as follows:

2010	\$ 141,623
2011	94,238
2012	94,238
2013	94,238
2014	<u>47,119</u>
	471,456
Less imputed interest	<u>53,134</u>
	<u>\$ 418,322</u>

North Bay General Hospital Notes to Financial Statements

March 31, 2009

8. Disclosure of Significantly Influenced Not-for-Profit Corporations

a. North Bay and District Hospital Foundation

The North Bay and District Hospital Foundation (the "Foundation") was incorporated by Letters Patent under the Ontario Corporations Act on September 30, 1999 as a not for profit organization and has registered charity status. Its primary goal is to provide ongoing resources for the best patient-focused care, education, and research in a community-oriented, well-equipped health care setting for the benefit of people in the District of Nipissing.

Pertinent financial information of the Foundation as at March 31 is as follows:

	2009	2008
Total assets	\$ 10,906,327	\$ 9,842,706
Total liabilities	\$ 429,291	\$ 501,772
Fund balances	10,477,036	9,340,934
	\$ 10,906,327	\$ 9,842,706
Results of operations:		
Total revenues	\$ 2,680,536	\$ 3,228,957
Total expenses	1,544,434	1,723,108
Excess of revenues over expenses	\$ 1,136,102	\$ 1,505,849

During the year, the Hospital paid operating expenses of the Foundation in the amount of \$513,717 (2008 - \$487,598). Of this amount, \$252,080 (2008 - \$209,788) was received during the year, and \$261,637 (2008 - \$277,810) is recorded as an account receivable.

During 2009, the Hospital received \$354,013 (2008 - \$190,490) for the purchase of capital assets from the Foundation. The Hospital also received \$650,746 (2008 - \$589,038) from the Foundation, for the North Bay Regional Health Centre Project.

These transactions are measured at the exchange amount.

North Bay General Hospital Notes to Financial Statements

March 31, 2009

8. Disclosure of Significantly Influenced Not-for-Profit Corporations (continued)

b. Other Entities

The Hospital exercises significant influence over the Terry McKerrow CAT Scan Operating Fund Inc. (the "Fund") and the Nipissing Area Joint Hospitals Laundry Incorporation (the "Laundry") by virtue of its ability to appoint some of the Fund's and Laundry's directors.

The Fund was originally established to raise funds for the operation of the CT scanner at the Hospital until this funding was allocated in the base operating budget. Subsequently, in April of 2000, the Fund committed to provide \$3,000,000 over ten years to the North Bay and District Hospital Foundation's New Hospital Building Fund for equipment. The Fund is incorporated under the laws of the province of Ontario and is a registered charity under the Income Tax Act.

In prior years the Laundry provided laundry and linen services to the Hospital. It is incorporated under the laws of the province of Ontario as a not-for-profit organization. During the year the Laundry provided the Hospital with laundry and linen services at their exchange amount of \$Nil (2008 - \$536,709) as this organization ceased to provide these services to the Hospital during the 2008 fiscal year. During the current year, the Hospital advanced the Laundry \$133,961 which is included in accounts receivable at year end.

The above noted entities have not been included in these financial statements.

9. Accrued Benefits Liability

The Hospital has a number of defined benefit plans providing pension, extended health care, dental, life insurance and long-term disability. Substantially all employees of the Hospital are eligible to be members of the Hospitals of Ontario Pension Plan (HOOPP), which is a multi-employer final average pay contributory pension plan. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. HOOPP provides pension services to approximately 234,000 active and retired members and approximately 321 employers.

North Bay General Hospital Notes to Financial Statements

March 31, 2009

9. Accrued Benefits Liability (continued)

Each year, an independent actuary determines the funding status of HOOPP by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The results of the most recent valuation as at December 31, 2008 disclosed total actuarial liabilities of \$31,244 million in respect of benefits accrued for service with actuarial assets at that date of \$30,261 million indicating an actuarial deficit of \$983 million. Because HOOPP is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario hospitals and their employees. As a result, the Hospital does not recognize any share of the HOOPP surplus or deficit. The Hospital's contributions made to the HOOPP during the year amounted to \$5,310,224 (2008 - \$4,343,886).

At March 31, 2009, the Hospital's accrued benefit liability relating to post-employment benefits plans for extended health care, dental and life insurance is \$5,172,200 (2008 - \$4,882,700). This amount has been determined from the most recent actuarial valuation as at March 31, 2009.

The significant actuarial assumptions adopted in estimating the Hospital's accrued benefits liability are as follows:

Discount rate:	
Beginning of year	7.50%
End of year	7.50%
Dental benefits cost escalation	4.0%
Medical benefits cost escalation	
- extended health care	9.0% in 2011; decreasing by 0.5% per annum to an ultimate rate of 5.0%

a. The accrued non-pension benefit liability is calculated as follows:

	2009	2008
Accrued benefit liability - beginning of year	\$ 4,882,700	\$ 4,534,900
Expense	816,600	844,200
Funding contributions	(527,100)	(496,400)
	\$ 5,172,200	\$ 4,882,700

North Bay General Hospital Notes to Financial Statements

March 31, 2009

9. Accrued Benefits Liability (continued)

b. The non-pension benefit expense for the year is calculated as follows:

	2009	2008
Accrual for services	\$ 289,500	\$ 304,600
Interest on accrued benefits	398,000	364,300
Actuarial losses during the year	(318,400)	(505,600)
Adjustment for experience (gains)/losses	401,200	634,600
Adjustment for prior service cost	46,300	46,300
	\$ 816,600	\$ 844,200

c. The accrued benefit obligation is reconciled to the accrued benefit liability as follows:

	2009	2008
Accrued benefits obligation at year end	\$ 6,737,500	\$ 6,895,500
Less: Unamortized (gains)/losses		
Past service costs	201,100	247,400
Experience (gains)/losses	1,364,200	1,765,400
	\$ 5,172,200	\$ 4,882,700

d. Sensitivity Analysis

A one percentage change in assumed health and dental care cost trend rates would have the following effects for 2009:

	Increase	Decrease
Service and interest cost for fiscal 2009	\$ 74,200	\$ 63,400
Accrued benefit obligation as at March 31, 2009	482,300	422,700

North Bay General Hospital Notes to Financial Statements

March 31, 2009

10. Commitments and Contingencies

a. Lease of Premises

On November 1, 2001, the Hospital entered into a ten year lease commitment for the Nipissing Detoxification and Substance Abuse premises jointly with the Nipissing Diabetes Resource Centre. The lease provides for annual rent of \$305,856. The Ministry of Health and Long-Term Care has committed to provide revenues to offset the lease payments.

The Hospital has entered into various other operating leases for property with annual lease payments totaling \$408,190 and also leases space on a month-to-month basis.

b. North Bay Regional Health Centre Project

The NBRHC Project is a joint undertaking of the Hospital and NEMHC to construct a new shared facility to house the operations of both organizations. In February of 2007, on behalf of itself and NEMHC, the Hospital signed agreements with the successful proponent for the construction of the North Bay Regional Health Centre. Construction commenced in March 2007 with a targeted substantial completion date of June 2010.

The cost to build, maintain and finance the NBRHC Project was determined to be approximately \$551 million in 2007 dollars at the time of contract signing. The Hospital portion of the project costs is expected to be approximately \$397 million, of which the Ministry of Health and Long-Term Care will fund 90%. The remaining local Hospital share will be funded by Foundation donations, municipal contributions and general Hospital operations. These funding sources began accumulating to a fund in the 2007/08 fiscal year to cover these expenditures.

Once construction has been completed, annual payments of approximately \$35 million, including principal, interest, general construction, lifecycle costs and hard facility maintenance, will commence for a period of 30 years, with the final payment expected May 31, 2041.

A portion of this payment will be indexed over the 30 year service period to allow for changes relating to cost of living, labour rates, insurance costs, energy and utilities.

The costs of the main construction contract to March 31, 2009 are also allocated to construction in progress based on year-to-date reporting of the Independent Certifier. The Hospital has recorded its share of these costs and related long-term obligation in the amount of \$189,569,526 (2008 - \$86,059,001) based on the final cost sharing formula.

North Bay General Hospital Notes to Financial Statements

March 31, 2009

10. Commitments and Contingencies (continued)

c. Contingencies

Legal and Litigation Matters

In the normal course of business the Hospital is involved in certain legal matters and litigations, 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.

During the year the Hospital was named as a co-defendant in a statement of claim. The action is claiming damages that are in excess of insurance coverage that the Hospital held at the time of the incident. It is the Hospital's position and that of its legal counsel that the likelihood of loss, if any, is not determinable at this time. As such the Hospital has not recorded a liability for any amount relating to this claim. Damages, if any, and legal costs, if any, relating to this matter would be recognized in the year they become known and determinable.

11. Ministry Funding/Economic Dependence

The Hospital received 76% (2008 - 83%) of its revenues from the Ministry of Health and Long-Term Care / LHIN.

The revenue received from the Ministry of Health and Long-Term Care / LHIN for the year includes one time operating grants of \$8,150,013 (2008 - \$8,040,071).

12. Contributed Services/Hospital Auxiliary

- a.** A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty in determining the fair value, contributed services are not recognized in the financial statements.
- b.** In addition, the North Bay General Hospital Volunteer Association is an auxiliary which raises funds for the purchase of capital assets for the Hospital and is not consolidated in these financial statements. Revenues from this auxiliary are recorded when received.

North Bay General Hospital Notes to Financial Statements

March 31, 2009

13. Financial Instruments

a. Fair Values

The Hospital's financial instruments are comprised of cash, restricted cash and investments, accounts receivable, long-term receivables, long-term donations receivable, bank indebtedness, accounts payable and accrued liabilities, long-term debt, obligations under capital lease and due to NEMHC.

Cash, restricted cash and bank indebtedness are reported at fair value on the statement of financial position. Accounts receivable, restricted investments, other receivables and accounts payable and accrued liabilities are reported at amortized cost which approximates fair value due to their short-term nature.

The fair values of restricted investments, long-term donations receivable and long-term debt are disclosed in the respective notes to the financial statements. The fair value of due to NEMHC has not been determined or disclosed as the cash flows related to this liability have yet to be determined.

b. Risks arising from Financial Instruments

Credit Risk

The Hospital's cash and restricted cash and investments are all held at major financial institutions. The Hospital's accounts receivable are made up of a large number of small balances from insurers and patients, large balances from government organizations and municipalities and smaller balances from various other organizations.

Interest Rate Risk

The Hospital manages its portfolio investments based on its cash flow needs and with a view to optimizing its interest income.

The effective interest rate on investments during the year varied from 3.73% to 4.8% (2008 - 3.836% to 4.80%). The average interest rate at the end of the year was 4.34% (2008 - 4.47%) with investments maturing between seven months and eleven months.

North Bay General Hospital Notes to Financial Statements

March 31, 2009

14. Capital Disclosures

The Hospital considers its capital to be the balance retained in net assets, which includes unrestricted net assets and net assets invested in capital assets, as well as deferred capital contributions and long-term obligations. The Hospital receives funding from the provincial government for the delivery of its programs. These funds are maintained and disbursed under the terms of the funding agreements and management is responsible for adhering to the provisions of these agreements.

The Hospital's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide delivery of its programs to the public.

The Hospital is subject to externally imposed capital requirements under its banking agreement which stipulates certain restrictions on capital asset purchases and outlines bank reporting requirements.

Management maintains its capital by ensuring that annual operating and capital budgets are developed and approved by both the Board of Directors, the Ministry of Health and Long-Term Care and the Local Health Integration Network based on both known and estimated sources of funding and financing available each year. These budgets are shared with all management to ensure that the capital of the Hospital is maintained.

North Bay General Hospital Notes to Financial Statements

March 31, 2009

15. Deferred Capital Contributions

Deferred capital contributions include restricted grants, donations and contributions with which the Hospital's buildings and equipment were purchased.

The changes for the year in the deferred capital contributions balance are as follows:

	2009	2008
Balance , beginning of year	\$ 98,186,336	\$ 79,635,213
Less: Deferred contributions amortized to revenue		
- furniture and equipment	(2,296,167)	(2,207,016)
- buildings	(486,563)	(435,549)
Building and equipment contributions, and interest during the year	21,437,483	21,193,688
Balance , end of year	\$116,841,089	\$ 98,186,336
 Comprised of:		
Operating and capital asset fund	\$ 11,905,980	\$ 10,908,574
NBRHC project fund	104,935,109	87,277,762
	\$116,841,089	\$ 98,186,336

16. Invested in Capital Assets

a. The amount invested in capital assets is calculated as follows:

	2009	2008
Capital assets, net book value, excluding NBRHC project	\$ 23,869,066	\$ 23,885,687
- deferred capital contributions	(11,905,980)	(10,908,574)
	\$ 11,963,086	\$ 12,977,113

North Bay General Hospital Notes to Financial Statements

March 31, 2009

16. Invested in Capital Assets (continued)

b. The changes in amounts invested in capital assets are calculated as follows:

	2009	2008
Excess of Expenses over Revenues		
Amortization of deferred contributions - furniture and equipment	\$ 2,296,167	\$ 2,207,016
Amortization of deferred contributions - buildings	486,563	435,549
Amortization - furniture and equipment	(4,239,618)	(3,769,838)
Amortization - buildings	(1,261,069)	(922,959)
	\$ (2,717,957)	\$ (2,050,232)
Invested in Capital Assets		
Purchase of capital assets, excluding NBRHC project, net of disposals	\$ 5,484,066	\$ 5,078,312
Amounts funded by deferred contributions	(3,780,136)	(1,832,469)
	\$ 1,703,930	\$ 3,245,843

17. Measurement Uncertainties

The Health Services Restructuring Commission has directed that the Hospital's two sites be consolidated on a single new site. The Hospital's assets currently held may be disposed of or may become redundant to the ongoing operations as and when the single site amalgamation of operation occurs.

Any resulting gains or losses on the disposition or write down of the Hospital's assets will be accounted for as an adjustment to the capital asset fund in the period in which the site amalgamation plans are finalized. The useful life of the buildings, and resulting amortization has been adjusted to take into consideration the completion date of the new Hospital and estimated residual values of the existing building net of costs of disposal and decommissioning based on facts known at the date of financial statement preparation.

North Bay General Hospital Notes to Financial Statements

March 31, 2009

18. Transition Costs

During the year ended March 31, 2009, the Hospital incurred transition costs in the amount of \$2,142,727 as it works towards consolidation of operations to a single site. These costs are not part of the Hospital's normal operating costs and are therefore separately identified. During the year ended March 31, 2009, the Hospital received external funding for these costs in the amount of \$647,640.

19. Comparative Figures

Certain financial statement balances have been reclassified to conform with the current year presentation.



BDO Dunwoody LLP
Chartered Accountants
and Advisors

142 Main Street West
North Bay, Ontario, P1B 2T5
Telephone: (705) 495-2000
Toll Free: 1-800-461-6324
Fax: (705) 495-2001
www.bdo.ca

Auditors' Comments on Supplementary Financial Information

To the Directors of the North Bay General Hospital

The audited financial statements of the North Bay General Hospital as at March 31, 2009 and our report thereon dated May 13, 2009 are presented in the preceding section of these financial statements. The financial information presented hereinafter was derived from the accounting records tested by us as part of the auditing procedures followed in our examination of the financial statements and, in our opinion, it is fairly presented in all material respects in relation to the financial statements taken as a whole.

BDO Dunwoody LLP

Chartered Accountants, Licensed Public Accountants

May 13, 2009
North Bay, Ontario

**North Bay General Hospital
Schedule 1 - Statement of Operations
- Operating Fund**

For the year ended March 31

	2009 Budget	2009 Actual	2008 Actual
Revenues			
Ministry of Health and Long-Term Care / Local Health Integration Network	\$101,305,614	\$ 95,646,935	\$ 88,310,262
Other patient revenues	7,504,285	7,851,948	7,778,695
Preferred accommodation	2,154,065	1,869,433	1,897,430
Parking	475,000	446,340	470,029
Other revenues and recoveries	9,343,857	15,961,744	3,757,507
Loss on disposal of assets	-	(85,113)	(25,898)
	<u>120,782,821</u>	<u>121,691,287</u>	<u>102,188,025</u>
Expenses			
Salaries, wages and medical staff remuneration	76,591,813	76,836,243	63,188,601
Employee benefits	18,098,245	17,848,694	15,874,179
Other supplies and expenses	17,759,545	18,087,681	13,773,777
Interest and bank charges	105,000	71,223	204,846
Medical and surgical supplies	6,247,758	6,658,539	6,149,909
Drugs	3,816,219	4,753,005	3,899,741
Bad debts	50,000	62,128	37,348
	<u>122,668,580</u>	<u>124,317,513</u>	<u>103,128,401</u>
Excess of Expenses over Revenues for the year before other items	<u>(1,885,759)</u>	<u>(2,626,226)</u>	<u>(940,376)</u>
Transition costs	-	(2,142,727)	-
Recovery of transition costs	-	647,640	-
	<u>-</u>	<u>(1,495,087)</u>	<u>-</u>
Excess of Expenses over Revenues for the year	<u>\$ (1,885,759)</u>	<u>\$ (4,121,313)</u>	<u>\$ (940,376)</u>

**North Bay General Hospital
Schedule 2 - Statement of Operations
- Capital Asset Fund**

For the year ended March 31	2009 Budget	2009 Actual	2008 Actual
Revenues			
Amortization of deferred contributions - furniture and equipment	\$ 2,209,702	\$ 2,296,167	\$ 2,207,016
Amortization of deferred contributions - buildings	366,175	486,563	435,549
	<u>2,575,877</u>	<u>2,782,730</u>	<u>2,642,565</u>
Expenses			
Amortization - furniture and equipment	4,659,747	4,239,618	3,769,838
Amortization - buildings	1,180,134	1,261,069	922,959
	<u>5,839,881</u>	<u>5,500,687</u>	<u>4,692,797</u>
Excess of Expenses over Revenues for the year	<u>\$ (3,264,004)</u>	<u>\$ (2,717,957)</u>	<u>\$ (2,050,232)</u>

**North Bay General Hospital
Schedule 3 - Statement of Operations
- Administered Programs Fund**

For the year ended March 31

2009

2008

Revenues

Land ambulance service	\$ 3,747,618	\$ 3,408,310
CACC ambulance dispatch	1,476,021	1,428,842
Base hospital	282,031	256,796
Mental health and addictions	4,985,917	3,145,867
Diabetes centre - Nipissing district	668,263	646,004
French language services	198,754	183,455
Thorne nursing station	-	56,952
	11,358,604	9,126,226

Expenses

Land ambulance service	3,747,618	3,408,310
CACC ambulance dispatch	1,476,021	1,428,842
Base hospital	282,031	256,796
Mental health and addictions	4,985,917	3,145,867
Diabetes centre - Nipissing district	668,263	646,004
French language services	198,754	183,455
Thorne nursing station	-	56,952
	11,358,604	9,126,226

Excess of Revenues over Expenses for the year

\$ - \$ -