

Financial Statements of

**NORTH BAY REGIONAL
HEALTH CENTRE**

Year ended March 31, 2012



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of North Bay Regional Health Centre

We have audited the accompanying financial statements of North Bay Regional Health Centre, which comprise the statement of financial position as at March 31, 2012, the statements of operations, changes 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 risk 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 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 materials respects, the financial position of North Bay Regional Health Centre as at March 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Comparative Information

The comparative financial information of the North Bay Regional Health Centre as at and for the year ended March 31, 2011, consist of the financial statements of the predecessor corporations, Northeast Mental Health Centre and North Bay General Hospital and the combination adjustments described in Note 1 to the financial statements. The financial statements of Northeast Mental Health Centre and North Bay General Hospital, were audited by KPMG LLP and another auditor, respectively, who expressed unmodified opinions on those respective financial statements on June 9, 2011.

As part of our audit of the financial statements as at and for the year ended March 31, 2012, we audited the combination adjustments described in Note 1 to the financial statements that were applied to combine the comparative financial information as at and for the year ended March 31, 2011.

Other Matter

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in the Schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The image shows the handwritten signature "KPMG LLP" in black ink. The letters are bold and slightly slanted. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants, Licensed Public Accountants

June 14, 2012
North Bay, Canada

NORTH BAY REGIONAL HEALTH CENTRE

Financial Statements

Year ended March 31, 2012

| | |
|--|--------|
| Independent Auditors' Report | |
| Statement of Financial Position | 1 |
| Statement of Operations | 2 |
| Statement of Changes in Net Assets | 3 |
| Statement of Cash Flows | 4 |
| Notes to Financial Statements | 5 - 22 |
| Schedule of Budgeted and Actual Operations | 23 |

NORTH BAY REGIONAL HEALTH CENTRE

Statement of Financial Position

March 31, 2012, with comparative information for 2011

| | 2012 | 2011 |
|--|-----------------------|-----------------------|
| Assets | | |
| Current assets: | | |
| Cash and short-term investments | \$ 1,765,787 | \$ 28,212,179 |
| Marketable securities (note 3) | 11,455,874 | 22,291,608 |
| Accounts receivable (note 4) | 6,653,250 | 16,895,189 |
| Inventories | 2,399,120 | 2,386,227 |
| Prepaid expenses | 2,509,104 | 1,598,586 |
| Current portion of long-term receivables | 1,666,307 | 1,604,423 |
| | <u>26,449,442</u> | <u>72,988,212</u> |
| Capital assets (note 5) | 556,761,140 | 568,464,836 |
| Capital assets held for sale | - | 824,112 |
| Long-term receivables (note 6) | 13,951,200 | 14,893,753 |
| | <u>\$ 597,161,782</u> | <u>\$ 657,170,913</u> |

Liabilities and Deficiency in Net Assets

| | | |
|---|-----------------------|-----------------------|
| Current liabilities: | | |
| Bank indebtedness (note 7) | \$ 5,844,000 | \$ 20,728,619 |
| Accounts payable and accrued liabilities (note 8) | 35,813,876 | 37,366,472 |
| Deferred contributions (note 9) | 27,942,485 | 26,560,443 |
| Current portion of long-term obligations | 6,908,975 | 6,316,678 |
| | <u>76,509,336</u> | <u>90,972,212</u> |
| Long-term obligations (note 10) | 403,956,506 | 409,556,777 |
| Deferred capital contributions (note 11) | 120,388,432 | 154,137,353 |
| Post-employment benefit obligation (note 12) | 7,570,900 | 6,222,200 |
| Deficiency in net assets: | | |
| Internally restricted (note 13) | 10,994,444 | 11,447,005 |
| Invested in capital assets (note 14) | 27,955,290 | 26,408,900 |
| Unrestricted | (50,213,126) | (41,573,534) |
| | <u>(11,263,392)</u> | <u>(3,717,629)</u> |
| Commitments and contingencies (note 15) | | |
| | <u>\$ 597,161,782</u> | <u>\$ 657,170,913</u> |

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

NORTH BAY REGIONAL HEALTH CENTRE

Statement of Operations

Year ended March 31, 2012, with comparative information for 2011

| | 2012 | 2011 |
|--|-----------------------|------------------------|
| Revenue: | | |
| Ministry of Health and Long-term Care / North East | | |
| Local Health Integration Network: | | |
| Base | \$181,440,638 | \$168,482,375 |
| Other | 9,948,316 | 5,289,957 |
| Cancer Care Ontario | 2,695,941 | 1,932,257 |
| Other votes: (note 16) | | |
| Other government funded programs | 14,327,663 | 16,710,579 |
| Ministry of Health and Long-Term Care / North East | | |
| Local Health Integration Network funded programs | 9,824,184 | 9,371,431 |
| Patients | 10,843,877 | 8,229,656 |
| Amortization of deferred capital contributions | 7,026,091 | 1,932,389 |
| Other | 6,836,683 | 7,468,579 |
| Preferred accommodation | 1,951,837 | 2,045,263 |
| | <u>244,895,230</u> | <u>221,462,486</u> |
| Expenses: | | |
| Salaries and wages | 124,128,190 | 113,557,729 |
| Supplies and other | 35,113,795 | 32,505,488 |
| Employee benefits | 32,831,282 | 29,807,316 |
| Other votes: (note 16) | | |
| Other government funded programs | 14,327,663 | 16,710,579 |
| Ministry of Health and Long-term Care / North East | | |
| Local Health Integration Network funded programs | 9,824,184 | 9,371,431 |
| Medical fees | 11,768,896 | 9,136,056 |
| Medical and surgical supplies | 8,546,587 | 7,783,160 |
| Amortization of equipment | 7,642,326 | 4,644,835 |
| Drugs and medical gases | 5,536,416 | 6,020,976 |
| | <u>249,719,339</u> | <u>229,537,570</u> |
| Deficiency of revenue over expenses before the undernoted | (4,824,109) | (8,075,084) |
| Amortization of deferred capital contributions - building | 10,308,781 | 2,749,122 |
| Amortization of buildings | (10,913,161) | (6,365,846) |
| Government contribution for interest on other long-term debt | 21,244,746 | 16,983,608 |
| Interest on other long-term debt | (22,884,410) | (18,294,450) |
| Government transition funding (note 17) | 2,599,158 | 11,110,057 |
| Transition costs (note 17) | (3,076,768) | (11,599,331) |
| | <u>(2,721,654)</u> | <u>(5,416,840)</u> |
| Deficiency of revenue over expenses | <u>\$ (7,545,763)</u> | <u>\$ (13,491,924)</u> |

See accompanying notes to financial statements.

NORTH BAY REGIONAL HEALTH CENTRE

Statement of Changes in Net Assets

Year ended March 31, 2012, with comparative information for 2011

| | Unrestricted deficiency | Internally restricted | Invested in capital assets | 2012 | 2011 |
|---|----------------------------|--------------------------|-------------------------------|----------------|----------------|
| Net assets (deficiency), beginning of year | \$(41,573,534) | \$ 11,447,005 | \$ 26,408,900 | \$ (3,717,629) | \$ 9,774,295 |
| Deficiency of revenue over expenses | (6,316,445) | - | (1,229,318) | (7,545,763) | (13,491,924) |
| Transfers (notes 13 and 14) | (2,323,147) | (452,561) | 2,775,708 | - | - |
| Net assets (deficiency), end of year | \$(50,213,126) | \$ 10,994,444 | \$ 27,955,290 | \$(11,263,392) | \$ (3,717,629) |

See accompanying notes to financial statements.

NORTH BAY REGIONAL HEALTH CENTRE

Statement of Cash Flows

Year ended March 31, 2012, with comparative information for 2011

| | 2012 | 2011 |
|--|----------------|-----------------|
| Cash flows from operating activities: | | |
| Deficiency of revenue over expenses | \$ (7,545,763) | \$ (13,491,924) |
| Adjustments for: | | |
| Amortization of capital assets | 18,555,487 | 11,145,297 |
| Amortization of deferred contributions related to capital assets | (17,334,872) | (6,684,839) |
| Post-retirement benefits expense | 2,046,700 | 1,219,600 |
| Loss on disposal of capital assets | 8,703 | 132,188 |
| Change in non-cash operating working capital: | | |
| Accounts receivable | 10,241,939 | (15,286,886) |
| Inventories | (12,893) | (118,757) |
| Prepaid expenses | (910,518) | (389,521) |
| Accounts payable and accrued liabilities | (1,552,596) | 13,496,486 |
| Deferred contributions | (22,251,360) | 2,386,809 |
| | (18,755,173) | (7,591,547) |
| Cash flows from financing activities: | | |
| Deferred contributions related to capital assets | 7,219,353 | 20,791,953 |
| Increase in long-term debt | 1,211,298 | 85,025,176 |
| Principal repayment of long-term debt | (6,219,272) | (4,815,706) |
| Increase (decrease) in bank indebtedness | (14,884,619) | 2,348,559 |
| Post retirement benefit contributions | (698,000) | (661,600) |
| | (13,371,240) | 102,688,382 |
| Cash flows from investing activities: | | |
| Assets held for sale | 824,112 | (824,112) |
| Purchase of capital assets | (7,096,791) | (152,971,156) |
| Proceeds from disposal of capital assets | 236,297 | 4,500 |
| Decrease in long-term receivables | 880,669 | 336,065 |
| Proceeds from disposal of marketable securities | 10,835,734 | 73,633,922 |
| | 5,680,021 | (79,820,781) |
| Increase (decrease) in cash and short-term investments | (26,446,392) | 15,276,054 |
| Cash and short-term investments, beginning of year | 28,212,179 | 12,936,125 |
| Cash and short-term investments, end of year | \$ 1,765,787 | \$ 28,212,179 |

See accompanying notes to financial statements.

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements

Year ended March 31, 2012

The North Bay Regional Health Centre (the "Health Centre") is incorporated without share capital under the laws of Ontario. Its principal activity is the provision of health care services in the District of Nipissing, Ontario and mental health services in northeastern Ontario. The Health Centre is a registered charity under the Income Tax Act and accordingly is exempt from income taxes under section 149 of the Income tax Act.

1. Amalgamation:

On April 1, 2011, North Bay General Hospital and Northeast Mental Health Centre amalgamated to form the North Bay Regional Health Centre. The comparative information reflects the combined statement of financial position, operations, changes in net assets (deficiency) and cash flows for the amalgamated entities, adjusted to eliminate interorganizational transactions for the year ended March 31, 2011.

2. Significant accounting policies:

(a) Revenue recognition:

The Health Centre is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care (the "MOHLTC") and the North East Local Health Integration Network (the "LHIN").

The Health Centre accounts for contributions, which include donations and government grants, under the deferral method of accounting as follows:

Operating grants are recorded as revenue in the period to which they relate. Grants and donations approved but not received at the end of a period are accrued. Grants and donations relating to future periods are deferred and recognized in the subsequent period when the related activity occurs. MOHLTC grants are provided to the Health Centre by the LHIN.

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 same basis as those of the related capital assets.

Investment income earned on externally restricted funds is recognized in the appropriate deferred contributions balance. Unrestricted investment income is recognized as revenue when earned.

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2012

2. Significant accounting policies (continued):

(a) Revenue recognition (continued):

Fees for patient, preferred accommodations, and other revenues are recognized as revenue when the services are provided, collection of the relevant receivable is probable, and the amount to be recorded is determinable.

(b) Financial instruments:

The Health Centre 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 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 the statement of operations; available-for-sale financial instruments are measured at fair value with unrealized changes in fair value recorded in the statement of changes in net assets until the investment is derecognized or impaired at which time the amounts would be recorded in the statement of operations.

In accordance with the Canadian generally accepted accounting principles the Health Centre has undertaken the following:

- i) Designated cash and short-term investments 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) Marketable securities are designated as held-to-maturity, which are measured at amortized cost.
- iv) Accounts payable and accrued liabilities, long-term debt, obligations under capital lease are classified as other financial liabilities, which are measured at amortized cost.

No financial statement recognition is given to embedded derivatives or non-financial contracts with derivative characteristics.

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2012

2. Significant accounting policies (continued):

(b) Financial instruments: (continued)

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

The Health Centre has selected to account for transactions as at the trade date.

(c) Capital assets:

Capital assets are stated at cost. Amortization is provided on the straight-line basis over their estimated useful lives at the following range of annual rates:

Equipment under capital leases are initially recorded at the present value of minimum lease payments at the inception of the lease.

| Asset | Rate |
|---|----------------------|
| Buildings, roads, sidewalks and landscaping | Various rates to 10% |
| Leasehold improvements | Various rates to 20% |
| Furniture and equipment | Various rates to 33% |
| Equipment under capital leases | 30% |

(d) Employee future benefits:

The Health Centre has defined benefit pension plans and also sponsors a post-retirement defined benefit health, dental and life insurance plan (the "post-employment benefits") for certain employees funded on a pay-as-you-go basis. The Health Centre has adopted the following policies:

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

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2012

2. Significant accounting policies (continued):

(d) Employee future benefits: (continued)

- ii) Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gains (losses) over 10 percent of the accrued benefit obligation is amortized over the average remaining service period of active employees. The average remaining service period for active employees is 13 years.
- iii) When a restructuring of a benefit plan gives rise to a curtailment and settlement of obligations, the curtailment is accounted for prior to the settlement.
- iv) The Health Centre is an employer member of the Healthcare of Ontario Pension Plan (HOOPP), as well as Ontario Public Servants Pension Trust (OpTrust) which are multi-employer, defined benefit pension plans. The Boards of Trustees, representing plan members and employers, are responsible for overseeing the management of these pension plans, including investment of the assets and administration of the benefits. The Health Centre has adopted defined contribution plan accounting principles for these plans because insufficient information is available to apply defined benefit plan accounting principles.

(e) Cash and short-term investments:

Cash and short-term investments consist of cash and cashable Guaranteed Investment Certificates and instruments with maturities of less than three months from their date of acquisition.

(f) Inventories:

Inventories are measured at the lower of cost and net realizable value by the weighted average costing methodology.

(g) Donated assets:

Donated assets are recorded at fair value when received.

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2012

2. Significant accounting policies (continued):

(h) Significantly influenced not-for-profit organization:

The Health Centre exercises significant influence over the North Bay Regional Health Centre Foundation (the "Foundation") by virtue of its ability to appoint two of the Foundation's directors, and the provision of support services to the Foundation. Further, the Health Centre has an economic interest in the Foundation as it relies on fundraising activities to finance the purchase of capital equipment otherwise not solely funded by government contributions.

The Foundation was incorporated by Letters Patent under the Ontario Corporations Act on September 30, 1999 as a not-for-profit organization and is a registered charity under the Income Tax Act. 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 northeastern Ontario.

(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) Use of estimates:

The preparation of 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 revenue and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying amount of capital assets; valuation allowances for accounts receivable; and obligations related to post-employment benefit obligations. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the statement of operations in the year in which they become known.

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2012

3. Marketable securities:

| | 2012 | | 2011 | |
|-----------------------|---------------|---------------|---------------|---------------|
| | Cost | Fair value | Cost | Fair value |
| Marketable securities | \$ 11,455,874 | \$ 11,455,874 | \$ 22,291,608 | \$ 22,291,608 |

Marketable securities consist of cashable fixed-term Guaranteed Investment Certificates with interest rates ranging from 1.19% to 1.77% and maturities ranging from May 31, 2012 to September 27, 2013.

4. Accounts receivable:

| | 2012 | 2011 |
|---|--------------|---------------|
| Insurers and patients | \$ 4,047,980 | \$ 2,676,569 |
| Other | 1,782,880 | 3,351,287 |
| Ontario Ministry of Health and Long-Term Care | 822,390 | 10,867,333 |
| | \$ 6,653,250 | \$ 16,895,189 |

5. Capital assets:

| | 2012 | | 2011 | |
|---|---------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Land | \$ 1,225,645 | \$ - | \$ 1,225,645 | \$ 1,470,645 |
| Buildings, roads, sidewalks and landscaping | 524,534,858 | 19,611,209 | 504,923,649 | 513,196,644 |
| Leasehold improvements | 514,153 | 290,933 | 223,220 | 69,394 |
| Furniture and equipment | 93,011,865 | 44,401,947 | 48,609,918 | 53,502,665 |
| Equipment under capital leases | 2,058,649 | 279,941 | 1,778,708 | 225,488 |
| | \$621,345,170 | \$ 64,584,030 | \$556,761,140 | \$568,464,836 |

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2012

6. Long-term receivables:

| | 2012 | 2011 |
|--|---------------|---------------|
| Municipal contributions (i) | \$ 12,273,486 | \$ 13,448,049 |
| Recruitment loans: | | |
| Acute care physicians (ii) | 2,873,500 | 2,370,625 |
| Psychiatrists (iii) | 1,374,811 | 1,574,074 |
| | 16,521,797 | 17,392,748 |
| Less: allowance for doubtful accounts | (904,290) | (894,572) |
| | 15,617,507 | 16,498,176 |
| Less: current portion of long-term receivables | (1,666,307) | (1,604,423) |
| | \$ 13,951,200 | \$ 14,893,753 |

- (i) Municipal contributions receivable are recorded at their net present value using the effective interest rate method and a discount rate of 4.75%.
- (ii) Non-interest bearing, partially forgivable provided certain contractual conditions are met by the recipient physician.
- (iii) Non-interest bearing, forgivable provided certain contractual conditions are met by the recipient physician.

7. Bank indebtedness:

Bank indebtedness consists of draws on an unsecured line of credit of \$15,000,000 (2011 - \$15,000,000). The credit facility increased by \$30,000,000 in February 2012, and was again reduced to \$15,000,000 on receipt of a cash advance from the LHIN in April 2012. The credit facility bears interest at the bank's prime lending rate less .50%. At March 31, 2012, \$5,844,000 (2011 - \$17,056,000) of the line of credit was being used.

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2012

8. Accounts payable and accrued liabilities:

| | 2012 | 2011 |
|---|----------------------|----------------------|
| Ontario Ministry of Health and Long-term Care/North East Local Health Integration Network | \$ 2,682,717 | \$ 1,721,433 |
| Other funding agencies | 895,180 | 858,845 |
| Trade payables | 15,193,156 | 17,790,777 |
| Project payable and holdbacks | 236,143 | 1,766,120 |
| Employee deductions payable | 4,638,514 | 3,624,110 |
| Accrued salaries and wages | 5,660,537 | 5,111,636 |
| Accrued vacation and overtime | 6,507,629 | 6,493,551 |
| | <u>\$ 35,813,876</u> | <u>\$ 37,366,472</u> |

9. Deferred contributions:

Deferred contributions related to expenses of future periods represent unspent externally restricted donations and grants received for research and health programs.

| | 2012 | 2011 |
|--|----------------------|----------------------|
| Balance, beginning of year | \$ 26,560,443 | \$ 11,681,780 |
| Less amounts recognized during the year | (32,115,194) | (3,819,446) |
| Add contributions received related to future periods | 9,863,834 | 5,458,059 |
| Transfers and disposals | 23,633,402 | 13,240,050 |
| Balance, end of year | <u>\$ 27,942,485</u> | <u>\$ 26,560,443</u> |

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2012

10. Long-term obligations:

| | 2012 | 2011 |
|---|---------------|---------------|
| Long-term obligation, unsecured, payable in blended monthly installments of \$2,389,333, bearing interest at 5.55%, final installment due June 2040 | \$408,200,470 | \$413,902,561 |
| Available \$3 million revolving credit facility, unsecured, principal repayable on each draw in equal annual installments over a period of six years, bearing interest at bank prime lending rate | 2,448,063 | 1,749,740 |
| Obligations under capital lease (i) | 216,948 | 221,154 |
| | 410,865,481 | 415,873,455 |
| Less current portion | 6,908,975 | 6,316,678 |
| | \$403,956,506 | \$409,556,777 |

Scheduled principal repayments in each of the next five years and thereafter are as follows:

| | |
|------------|---------------|
| 2013 | \$ 6,908,975 |
| 2014 | 7,200,593 |
| 2015 | 7,334,623 |
| 2016 | 7,644,240 |
| 2017 | 8,008,132 |
| Thereafter | 373,768,918 |
| | \$410,865,481 |

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2012

10. Long-term obligations (continued):

- (i) The Health Centre has financed certain medical equipment by entering into capital leasing arrangements. Capital lease repayments are due as follows:

| | 2012 | 2011 |
|---|-----------|------------|
| Year ending: | | |
| 2012 | \$ - | \$ 95,210 |
| 2013 | 151,293 | 95,210 |
| 2014 | 80,320 | 47,605 |
| Total minimum lease payments | 231,613 | 238,025 |
| Less: amount representing interest at 5.77% | 14,665 | 16,871 |
| Present value of capital lease payments | 216,948 | 221,154 |
| Less current portion | 140,587 | 84,661 |
| | \$ 76,361 | \$ 136,493 |

11. Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized and unspent balance of donations and grants received for capital asset acquisitions. The amortization of capital contributions is recorded as revenue in the statement of operations.

| | 2012 | 2011 |
|------------------------------------|---------------|---------------|
| Balance, beginning of year | \$154,137,353 | \$153,270,289 |
| Add: contributions received | 7,219,353 | 20,791,953 |
| Less: amounts amortized to revenue | (17,334,872) | (6,684,839) |
| Transfers and disposals | (23,633,402) | (13,240,050) |
| Balance, end of year | \$120,388,432 | \$154,137,353 |

Details of the balance are as follows:

| | | |
|---|---------------|---------------|
| Unamortized capital contributions used to purchase assets | \$120,203,262 | \$127,168,571 |
| Unspent contributions | 185,170 | 26,968,782 |
| | \$120,388,432 | \$154,137,353 |

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2012

12. Post-retirement benefit obligations:

(a) Health care plans:

The Health Centre measures its accrued benefit obligations for accounting purposes as at March 31, of each year. The most recent actuarial valuation of the plan for funding purposes was March 31, 2012. The next required valuation will be as of April 1, 2015.

The reconciliation of the funded status of the defined benefit post-employment benefit plans and the amounts recorded in the financial statements is as follows:

| | 2012 | 2011 |
|---|---------------|--------------|
| Accrued benefit obligation, beginning of year | \$ 10,203,500 | \$ 9,088,200 |
| Current service cost | 705,100 | 450,100 |
| Interest cost | 767,400 | 513,400 |
| Benefits paid | (698,000) | (683,600) |
| Actuarial loss | 620,900 | 145,100 |
| Acquisitions | 1,190,000 | - |
| Plan amendments | 1,699,600 | - |
| Past service cost | - | 690,300 |
| Balance and plan deficit, end of year | 14,488,500 | 10,203,500 |
| Unamortized net actuarial loss | (4,182,000) | (2,646,400) |
| Unamortized transitional obligation | - | (7,700) |
| Unamortized past service costs | (2,735,600) | (1,327,200) |
| Accrued benefit liability | \$ 7,570,900 | \$ 6,222,200 |

Significant actuarial assumptions adopted in measuring the Health Centre's accrued benefit obligation are as follows:

| | 2012 | 2011 |
|--|-------|--------------|
| Discount rate | 5.25% | 5.00 - 5.50% |
| Initial dental care cost trend rate | 4.00% | 4.00 - 4.50% |
| Initial health care cost trend rate | 5.00% | 7.82 - 9.00% |
| Health care cost trend rate declines to Year ultimate rate reached | 5.00% | 4.50 - 5.00% |
| | - | 2019 |

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2012

12. Post-retirement benefit obligations (continued):

(b) Multi-employer pension plans:

The majority of full-time and part-time employees are eligible to be members of the Health Care of Ontario Pension Plan (the "Plan") which is a multi-employer defined benefit pension plan. Employer contributions made to the Plan during the year by the Health Centre amounted to \$10,409,567 (2010 - \$9,203,069). These amounts are included in the statement of operations.

Approximately 34 employees remain eligible to be members of the Ontario Public Servants (OPSEU) Pension Trust, which is a multi-employer defined benefit pension plan. Employer contributions made to the (the "Trust") during the year by the Health Centre amounted to \$303,391 (2010 - \$1,056,069). These amounts are included in the statement of operations.

13. Restrictions on net assets:

During the year, the Health Centre made capital and operating expenditures which were funded by restricted net assets and amounted to \$952,561. Further, the Board of Directors re-allocated \$6,494,444 of previously restricted funds to other projects and restricted a further \$500,000 of funds to be used for the purposes specified below, for a net change in internally restricted net assets of \$452,561. Restricted net assets for specific projects are comprised of the following amounts:

| | 2012 | 2011 |
|-------------------------------------|---------------|---------------|
| Alternate level of care initiatives | \$ 4,500,000 | \$ 4,579,085 |
| Co-generation plant | 4,675,000 | 4,675,000 |
| Mental health initiatives | 1,819,444 | - |
| Patient transfer to Sudbury campus | - | 1,072,584 |
| North Bay Regional Health Centre | - | 1,120,336 |
| | <hr/> | <hr/> |
| | \$ 10,994,444 | \$ 11,447,005 |

(a) Co-generation plant:

To ensure operational readiness at occupancy of the new North Bay Regional Health Centre, \$4,675,000 has been restricted to cover project variations and construction of a co-generation plant.

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2012

13. Restrictions on net assets: (continued)

(b) Alternative level of care initiatives:

To enhance the community effort in providing appropriate residences and support for patients once they are discharged from the Health Centre, \$4,500,000 has been restricted for this purpose. These funds will support the Regional Advisory Panel and assist with capital improvements to community residences.

(c) Mental health initiatives:

To support future mental health initiatives within the Health Centre's catchment area, \$1,819,444 has been restricted.

14. Invested in capital assets:

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

| | 2012 | 2011 |
|---------------------------------|----------------------|----------------------|
| Capital assets, net book value | \$ 556,761,140 | \$ 568,464,836 |
| Amounts financed by: | | |
| Deferred capital contributions | (120,388,432) | (127,932,221) |
| Long-term obligations | (408,200,470) | (413,902,561) |
| Obligations under capital lease | (216,948) | (221,154) |
| | <u>\$ 27,955,290</u> | <u>\$ 26,408,900</u> |

(b) The change in invested in capital assets is calculated as follows:

| | 2012 | 2011 |
|---|---------------------|---------------------|
| Deficiency of revenue over expenses: | | |
| Amortization of deferred capital contributions | \$ (17,334,872) | \$ (6,684,839) |
| Amortization of capital assets | 18,555,487 | 11,145,297 |
| Loss on disposal of capital assets | 8,703 | 132,188 |
| | <u>1,229,318</u> | <u>4,592,646</u> |
| Net change in investment in capital assets: | | |
| Purchase of capital assets | 7,096,791 | 152,971,156 |
| Amount funded by deferred capital contributions | (9,791,082) | (63,433,110) |
| Amount funded by long-term obligations | - | (79,976,580) |
| Repayment of long-term obligations | 5,706,296 | - |
| Assets held for sale | - | (824,112) |
| Proceeds on disposal of capital assets | (236,297) | - |
| | <u>2,775,708</u> | <u>8,737,354</u> |
| Net change in invested in capital assets | <u>\$ 1,546,390</u> | <u>\$ 4,144,708</u> |

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2012

15. Commitments and contingencies:

(a) North Bay Regional Health Centre lifecycle and maintenance costs:

In February 2007, on behalf of itself and the Northeast Mental Health Centre, the North Bay General Hospital ("NBGH") signed an agreement with Plenary Health ("Plenary") to build, maintain and finance the North Bay Regional Health Centre Project. Plenary commenced facility construction in March 2007 with substantial completion on June 16, 2010.

Upon completion of construction, annual payments of approximately \$6.8 million for lifecycle and hard facility maintenance costs commenced for a period of 30 years, with the final payment due in May 2041. The Ministry of Health and Long Term Care has approved an annual grant in the amount of approximately \$6.14 million to fund these costs.

A portion of the payment will be indexed to allow for increases in the cost of living, labour, insurance and energy and utilities.

(b) Operating lease commitments:

The Health Centre has entered into various operating leases for property and also leases space on a month-to-month basis. Lease payments, in aggregate, on these long-term leases amounts to approximately \$7.4 million.

Operating lease payments for the next five years are as follows:

| | | |
|------|----|-----------|
| 2013 | \$ | 940,146 |
| 2014 | | 937,514 |
| 2015 | | 883,567 |
| 2016 | | 874,626 |
| 2017 | | 776,267 |
| | | |
| | \$ | 4,412,120 |

(c) HealthCare Insurance Reciprocal of Canada ("HIROC"):

A group of healthcare institutions, including the Health Centre, are members of the HealthCare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the liability insurance risk of its members. All members pay annual deposit premiums which are actuarially determined and are subject to further assessment for losses, if any, experienced by the pool for the years in which they are members. As at March 31, 2012, no assessments have been received.

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2012

15. Commitments and contingencies: (continued)

(d) Legal and litigation matters:

In the normal course of operations the Health Centre is involved in certain legal matters and litigation, the outcomes of which are not determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved. With the exception of specific matters highlighted below, management is of the opinion that the Health Centre's exposure to financial loss from an unsuccessful defence are covered by adequate insurance coverage.

Prior to the current year the North Bay General Hospital (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 Health Centre's position and that of its legal counsel that the likelihood of loss, if any, is not determinable at this time. As such the Health Centre has not recorded a liability for any amount relating to this claim. Damages and legal costs, if any, relating to this matter would be recognized in the year they become known and determinable.

Prior to the current year the Hospital was named as a co-defendant in a statement of claim where the date of occurrence was prior to the current insurance policy period. There is a dispute between the previous and current insurers as to which policy coverage extends to this claim. It is the Health Centre's position and that of its legal counsel that the likelihood of loss, if any, is not determinable at this time. As such the Health Centre has not recorded a liability for any amount relating to this claim. Damages and legal costs, if any, relating to this matter would be recognized in the year they become known and determinable.

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2012

16. Other votes:

Ministry of Health and Long-Term/Care North East Local Health Integration Network funded programs:

| | 2012 | 2011 |
|---|------------------|------------------|
| Revenues: | | |
| Community mental health | \$ 5,243,705 | \$ 4,338,287 |
| Substance abuse | 2,631,037 | 3,250,655 |
| Community care access centre ambulance dispatch | 1,949,442 | 1,713,542 |
| French language services | - | 68,947 |
| | <u>9,824,184</u> | <u>9,371,431</u> |
| Expenses: | | |
| Community mental health | 5,243,705 | 4,338,287 |
| Substance abuse | 2,631,037 | 3,250,655 |
| Community care access centre ambulance dispatch | 1,949,442 | 1,713,542 |
| French language services | - | 68,947 |
| | <u>9,824,184</u> | <u>9,371,431</u> |
| Excess of revenue over expenses | \$ - | \$ - |

Other government funded programs:

| | 2012 | 2011 |
|--|-------------------|-------------------|
| Revenues: | | |
| Land ambulance service | \$ 5,497,264 | \$ 5,335,706 |
| Regional children's psychiatric centre | 2,949,262 | 3,304,978 |
| Grants assistance | 2,944,294 | 2,900,979 |
| Wordplay | 1,562,259 | 3,665,342 |
| Diabetes centre - Nipissing district | 704,071 | 711,593 |
| Client information management system | 670,513 | 791,981 |
| | <u>14,327,663</u> | <u>16,710,579</u> |
| Expenses: | | |
| Land ambulance service | 5,497,264 | 5,335,706 |
| Regional children's psychiatric centre | 2,949,262 | 3,304,978 |
| Grants assistance | 2,944,294 | 2,900,979 |
| Wordplay | 1,562,259 | 3,665,342 |
| Diabetes centre - Nipissing district | 704,071 | 711,593 |
| Client information management system | 670,513 | 791,981 |
| | <u>14,327,663</u> | <u>16,710,579</u> |
| Excess of revenue over expenses | \$ - | \$ - |

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2012

17. Transition funding and related costs:

Transition costs of \$3,076,768 (2011 - \$11,599,331) were incurred in connection with the amalgamation of North Bay General Hospital and Northeast Mental Health Centre, as well as the transition to the new North Bay Regional Health Centre facility. Transition costs were funded by previously deferred contributions of \$2,298,703, proceeds from the gain on sale of former hospital sites of \$188,912, government contributions receivable of \$292,144, and various recoveries of \$8,312.

18. Related party transactions:

During the year, the Health Centre advanced \$570,505 (2011 - \$622,823) to the Foundation for operating purposes. The Foundation has repaid \$272,563 (2011 - \$308,794). The unpaid balance of \$297,942 (2011 - \$314,028) is recorded in accounts receivable.

During 2012, the Health Centre received contributions from the Foundation \$181,609 (2011 - \$331,672) for the purchase of capital assets. The Health Centre also received contributions \$964,446 (2011 - \$1,450,522) from the Foundation during the year for general operating purposes.

19. Fair value of financial assets and liabilities:

(a) Credit and interest rate risk:

The Health Centre's financial instruments do not expose the Health Centre to a significant concentration of credit risk or interest rate risk.

(b) Fair value:

The Health Centre's financial instruments are comprised of cash and short-term investments, marketable securities, accounts receivable, long-term receivables, bank indebtedness, accounts payable and accrued liabilities, obligations under capital lease and long-term debt.

Cash and short-term investments are reported at fair value on the statement of financial position. Accounts receivable, marketable securities, accounts payable and accrued liabilities and bank indebtedness are reported at amortized cost, which approximates fair value due to their short term nature or because they are due or payable on demand.

The carrying value of long-term debt approximates its fair value as the terms and conditions of the borrowing arrangements are comparable to current market terms and conditions for similar items.

The fair value of long-term recruitment loans are not readily determinable.

NORTH BAY REGIONAL HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2012

19. Fair value of financial assets and liabilities: (continued)

(c) Financial risk management objectives:

The Health Centre invests only in high quality financial instruments to ensure the maintenance of its capital, while providing appropriate levels of liquidity.

20. Capital disclosures:

The Health Centre considers its capital to be the balance retained in net assets, which includes unrestricted net assets, internally restricted net assets, net assets invested in capital assets, as well as deferred capital contributions.

The Health Centre 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 Health Centre'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 Health Centre 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 North East Local Health Integration Network based on both known and estimated sources of funding and financing available each year.

21. Comparative information:

Certain 2011 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

NORTH BAY REGIONAL HEALTH CENTRE

Schedule of Budgeted and Actual Operations

Year ended March 31, 2012

| | 2012 Budget | 2012 Actual |
|--|-----------------------|-----------------------|
| | (Unaudited) | |
| Revenue: | | |
| Ministry of Health and Long Term Care / North East | | |
| Local Health Integration Network: | | |
| Base | \$181,676,963 | \$181,440,638 |
| Other | 7,677,061 | 9,948,316 |
| Cancer Care Ontario | 2,271,400 | 2,695,941 |
| Other votes | 24,982,315 | 24,151,847 |
| Patients | 9,055,476 | 10,843,877 |
| Amortization of deferred capital contributions | 4,712,629 | 7,026,091 |
| Other | 5,415,269 | 6,836,683 |
| Preferred accommodation | 2,458,670 | 1,951,837 |
| | <u>238,249,783</u> | <u>244,895,230</u> |
| Expenses: | | |
| Salaries and wages | 122,772,209 | 124,128,190 |
| Supplies and other | 33,675,271 | 35,113,795 |
| Employee benefits | 29,726,791 | 32,831,282 |
| Other votes | 25,075,234 | 24,151,847 |
| Medical fees | 10,894,413 | 11,768,896 |
| Medical and surgical supplies | 8,374,489 | 8,546,587 |
| Amortization of equipment | 7,061,146 | 7,642,326 |
| Drugs and medical gases | 6,288,505 | 5,536,416 |
| | <u>243,868,058</u> | <u>249,719,339</u> |
| Deficiency of revenue over expenses, before the undernoted | (5,618,275) | (4,824,109) |
| Amortization of deferred contributions - buildings | 10,148,745 | 10,308,781 |
| Amortization of buildings | (10,712,412) | (10,913,161) |
| Government contribution for interest on long-term debt | 21,244,747 | 21,244,746 |
| Interest on long term-debt | (22,884,409) | (22,884,410) |
| Government transition funding | 2,486,170 | 2,599,158 |
| Transition costs | (2,486,170) | (3,076,768) |
| | <u>(2,203,329)</u> | <u>(2,721,654)</u> |
| Deficiency of revenue over expenses | <u>\$ (7,821,604)</u> | <u>\$ (7,545,763)</u> |