

The Credit Valley Hospital

Financial Statements

March 31, 2010

May 28, 2010

Auditors' Report

To the Board of Directors of The Credit Valley Hospital

We have audited the balance sheet of **The Credit Valley Hospital** as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Mississauga, Ontario

The Credit Valley Hospital

Balance Sheet

As at March 31, 2010

	2010 \$	2009 \$
Assets		
Current assets		
Cash and cash equivalents	6,895,750	7,142,400
Restricted investments (note 4)	740,000	1,169,259
Receivable from Ontario Ministry of Health and Long-Term Care/Local Health Integration Network	8,785,622	2,106,210
Patient accounts receivable	5,488,499	5,286,912
Other accounts receivable	1,381,616	1,752,402
Receivable from The Credit Valley Hospital Foundation (note 11)	7,904,961	5,743,788
Inventories	2,915,919	2,512,961
Prepaid expenses and deposits	2,185,957	1,926,274
	36,298,324	27,640,206
Other assets	568,503	852,755
Investments (note 4)	13,871,554	13,673,822
Property and equipment, net (note 5)	187,103,443	189,538,773
	<u>237,841,824</u>	<u>231,705,556</u>
Liabilities		
Current liabilities		
Due to Ontario Ministry of Health and Long-Term Care/Local Health Integration Network	2,148,650	2,357,136
Accounts payable and accrued liabilities	38,043,832	29,675,379
Deferred contributions (note 6)	8,142,186	5,157,384
Current portion of obligations under capital leases (note 7)	68,008	923,207
Current portion of long-term debt (note 8)	958,061	908,109
	49,360,737	39,021,215
Obligations under capital leases (note 7)	427,134	391,472
Long-term debt (note 8)	9,590,327	8,493,210
Accrued non-pension post-employment benefits (note 9(b))	8,333,300	7,759,800
Deferred capital contributions (note 10)	162,256,596	161,284,497
	<u>229,968,094</u>	<u>216,950,194</u>
Net assets		
Invested in property plant and equipment (note 12)	27,121,886	30,805,087
Unrestricted	<u>(19,248,156)</u>	<u>(16,049,725)</u>
	7,873,730	14,755,362
	<u>237,841,824</u>	<u>231,705,556</u>
Commitments and contingencies (note 13)		

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors

Director

Director

The Credit Valley Hospital

Statement of Operations

For the year ended March 31, 2010

	2010 \$	2009 \$
Revenue		
Ontario Ministry of Health and Long-Term Care/Local Health Integration Network	270,871,026	258,604,803
Preferred accommodation and other (notes 4 and 11)	21,529,004	22,012,467
Patient care	30,585,176	30,726,692
Investment income	158,715	332,571
Amortization of deferred capital contributions – equipment	4,883,026	4,432,777
	<hr/> 328,026,947	<hr/> 316,109,310
Expenses		
Salaries, wages and employee benefits (note 9)	239,381,400	229,990,286
Supplies and other	43,064,312	42,921,489
Medical and surgical supplies	20,112,608	20,077,938
Drugs	19,349,475	17,419,709
Amortization – equipment	10,553,804	10,463,315
	<hr/> 332,461,599	<hr/> 320,872,737
Deficiency of revenue over expenses for the year prior to building amortization and interest on long-term debt	(4,434,652)	(4,763,427)
Amortization of capital contributions – building	4,689,302	3,659,318
Amortization – land improvements and building	(6,602,609)	(5,612,967)
Interest on long-term debt	(533,673)	(574,665)
	<hr/> (6,881,632)	<hr/> (7,291,741)
Deficiency of revenue over expenses for the year	<hr/> <hr/> (6,881,632)	<hr/> <hr/> (7,291,741)

The accompanying notes are an integral part of these financial statements.

The Credit Valley Hospital

Statement of Changes in Net Assets

For the year ended March 31, 2010

	Invested in property and equipment \$	Unrestricted \$	2010 Total \$	2009 Total \$
Balance – Beginning of year	30,805,087	(16,049,725)	14,755,362	22,068,175
Excess (deficiency) of revenue over expenses for the year (note 12(b))	(8,117,758)	1,236,126	(6,881,632)	(7,291,741)
Change in unrealized gain on investments (note 4)	-	-	-	(21,072)
Net change in investment in property and equipment (note 12(b))	4,434,557	(4,434,557)	-	-
Balance – End of year	<u>27,121,886</u>	<u>(19,248,156)</u>	<u>7,873,730</u>	<u>14,755,362</u>

The accompanying notes are an integral part of these financial statements.

The Credit Valley Hospital

Statement of Cash Flows

For the year ended March 31, 2010

	2010 \$	2009 \$
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses for the year	(6,881,632)	(7,291,741)
Items not affecting cash		
Amortization of other assets	284,252	159,975
Amortization of property and equipment	17,156,413	16,076,282
Amortization of deferred capital contributions	(9,572,328)	(8,092,095)
Non-pension post-employment benefit expense (note 9)	883,172	1,102,089
Equity earned in joint venture	(145,765)	(102,387)
(Gain) loss on disposal of property, plant and equipment	(49,863)	25,843
	<hr/>	<hr/>
	1,674,249	1,877,966
Net change in non-cash working capital balances related to operations (note 14)	1,810,742	(3,822,679)
Employer non-pension benefit contributions (note 9)	(309,672)	(297,789)
	<hr/>	<hr/>
	3,175,319	(2,242,502)
Investing activities		
Purchase of property and equipment	(14,765,873)	(15,938,722)
Proceeds from disposal of property, plant and equipment	94,653	-
(Increase) decrease in investments	377,292	(327,227)
	<hr/>	<hr/>
	(14,293,928)	(16,265,949)
Financing activities		
Decrease in obligations under capital leases	(819,537)	(1,053,066)
Repayment of long-term debt	(908,110)	(861,254)
Increase in long-term debt (note 8)	2,055,179	-
Contributions received for capital purposes	10,544,427	7,100,488
	<hr/>	<hr/>
	10,871,959	5,186,168
Net decrease in cash and cash equivalents during the year	(246,650)	(13,322,283)
Cash and cash equivalents – Beginning of year	7,142,400	20,464,683
Cash and cash equivalents – End of year	<hr/>	<hr/>
	6,895,750	7,142,400
Supplementary information		
Interest paid	719,047	645,842
Interest received	210,475	531,094

The accompanying notes are an integral part of these financial statements.

The Credit Valley Hospital

Notes to Financial Statements

March 31, 2010

1 Incorporation and operations

The Credit Valley Hospital (the “Hospital”) is a community hospital located in Mississauga, Ontario with specialized regional programs in nephrology, genetics, oncology and maternal child. The Hospital was incorporated as a corporation without share capital under the Corporations Act (Ontario) in May 1979. The Hospital is also a charitable organization registered under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

The Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by both the Ministry of Health and Long-Term Care (the “Ministry”) and the Mississauga Halton Local Health Integration Network (“LHIN”). The Hospital entered into a Hospital Service Accountability Agreement (the “H-SAA”) in fiscal 2009 with the Ministry and LHIN that sets out the rights and obligations of the parties to the H-SAA in respect of funding provided to the Hospital by the Ministry/LHIN. The H-SAA also sets out the performance standards and obligations of the Hospital that establish acceptable results for the Hospital’s performance in a number of areas.

If the Hospital does not meet its performance standards or obligations, the Ministry/LHIN has the right to adjust funding received by the Hospital. The Ministry/LHIN is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of Ministry/LHIN funding received by the Hospital during the year may be increased or decreased subsequent to year end.

2 Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

Basis of presentation

These financial statements include the assets, liabilities and activities of the Hospital. These financial statements do not include the activities of The Credit Valley Hospital Foundation (the “Foundation”) as the Foundation maintains their own accounts and reports separately from the Hospital to their own governing body (note 11).

Revenue recognition

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

Unrestricted contributions, including operating grants, are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

The Credit Valley Hospital

Notes to Financial Statements

March 31, 2010

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of property and equipment are deferred and amortized into revenues at a rate corresponding with the amortization rate for the related property and equipment.

Investment income earned on grants and unspent Ministry/LHIN capital grants are recognized as an increase in deferred contributions and are considered restricted to these purposes. Unrestricted investment income is recognized as revenue when earned.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term highly liquid money market investments that have a maturity date of three months or less at the date of purchase. Interest is recorded on an accrual basis.

Inventories

Inventories consist primarily of hospital supplies for patient care and are stated at the lower of cost and replacement cost. Cost is determined by the weighted average cost method.

Other assets

Other assets, which consist of the Hospital's interest in cancer equipment, are being amortized on a straight-line basis over eight years, the estimated life of the equipment.

Joint venture

Investments in jointly controlled entities are accounted for using the equity method, whereby the investment is initially recorded at cost and adjusted thereafter to recognize the Hospital's share of the jointly controlled entity's net surplus or deficit for its fiscal year ending within the Hospital's fiscal year. Any distributions received are accounted for as a reduction in the investment.

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Contributed property and equipment are recorded at fair value at the date of contribution. Amortization is calculated on a straight-line basis at rates based on the estimated useful lives of the assets as follows:

Building	2 – 10%
Building service equipment	5 – 10%
Equipment	5 – 33%
Parking garage	5%

Construction in progress is comprised of direct construction and development costs. No amortization is recorded until construction is substantially completed and the assets are ready for productive use.

The Credit Valley Hospital

Notes to Financial Statements

March 31, 2010

Equipment under capital lease

Equipment under leases that effectively transfer substantially all of the benefits and risks of ownership to the Hospital as lessee is recorded as property and equipment at the present value of the minimum payments under the lease with a corresponding liability for the related lease obligations. Equipment under capital lease is amortized over its estimated useful life at the same rates used for similar equipment.

Impairment of long-lived assets

An impairment charge is recorded for long-lived assets when an event or change in circumstances causes the asset's carrying values to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated as the difference between the fair value of the asset and its carrying value.

Employee benefit plans

The Hospital accrues its obligations under employee benefit plans and the related costs. The Hospital has adopted the following policies:

a) Multi-employer plan

Substantially all of the employees of the Hospital are eligible to be members of the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer, defined benefit, final average earnings, contributory pension plan. Defined contribution plan accounting is applied to HOOPP, whereby contributions are expensed when due, as the Hospital has insufficient information to apply defined benefit plan accounting.

b) Other post-employment benefit plans

The Hospital accrues its obligations under non-pension employee benefit plans as employees render services. The Hospital has adopted the following policies:

- i) The cost of non-pension post-employment benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimates of various factors, including expected annual increases in health care costs.
- ii) Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.
- iii) The excess of the cumulative unamortized balance of the net actuarial gain (loss) over 10% of the benefit obligations is amortized over the average remaining service period of active employees. The average remaining service period of the active employees is 16 years.
- iv) Liabilities are discounted using current interest rates on long-term bonds.

The Credit Valley Hospital

Notes to Financial Statements

March 31, 2010

Contributed services

The Volunteer Partners volunteer numerous valuable hours to assist the Hospital in carrying out certain charitable aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in these financial statements. Contributed materials are also not recognized in these financial statements.

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 date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management believes that the estimates utilized in preparing the financial statements are reasonable and prudent; however, actual results could differ from those estimates.

Financial instruments

Financial instruments are financial assets or liabilities of the Hospital which, in general, provide the Hospital the right to receive cash or another financial asset from another party or require the Hospital to pay another party cash or other financial assets.

The fair value of the Hospital's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these financial instruments. The fair value of investments are disclosed in note 4. The fair value of the long-term debt approximates its carrying value, based on market rates available to the Hospital for financial instruments with similar risks, terms and maturities.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and significant matters of judgement. Changes in assumptions could significantly affect the estimates.

Financial instruments – recognition and measurement

Financial assets and liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Hospital's designation of such instruments. All financial instruments are classified as held-for-trading, held-to-maturity, available-for-sale, loans and receivables, liabilities or derivatives and are measured at amortized cost or fair value depending on the type of instrument.

The Credit Valley Hospital

Notes to Financial Statements

March 31, 2010

The following table presents the classification of financial instruments as at March 31, 2010:

Assets/liabilities	Category	Measurement
Cash and cash equivalents	Held for trading	Fair value
Short-term investments	Available for sale	Fair value
Receivables	Loans and receivables	Amortized cost
Long-term investments	Held for trading	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost

Hedges

The Hospital entered into an interest rate swap contract to manage exposure to interest rate risks. The change in fair value of this contract is included in the statement of changes in net assets to the extent the hedge continues to be effective. For all cash flow hedges, to the extent the change in fair value of the derivative is not completely offset by the change in the fair value of the hedged item, the ineffective portion of the hedging relationship is recorded immediately in the statement of operations and classified with interest on long-term debt.

The fair value of the hedging derivative is estimated based on the standard swap valuation methodology. That is, the value of the swap is calculated as the difference between the present values of the future cash flows associated with the floating-receive leg and the fixed pay leg. The fair value estimates are not necessarily indicative of the amounts that the Hospital might receive or pay in actual market transactions.

The Hospital does not hold or issue derivative financial instruments for trading or speculative purposes, and controls are in place to detect and prevent these activities.

Recently adopted accounting pronouncements

On April 1, 2009 the Hospital adopted the CICA amendment to Handbook Section 1540 *Cash Flow Statements*. This amendment required not-for-profit organizations to separate investing and financing activities in a cash flow statement. The Hospital has previously disclosed a full cash flow statement and therefore this adoption has no impact on the financial statement presentation.

On April 1, 2009 the Hospital adopted the CICA amendment to Handbook Section 4460 *Disclosure of Related Party Transactions by Not-for-Profit Organizations*. This amendment made the language in Section 4460 consistent with Section 3840 *Related Party Transactions*. There was no impact on the financial statements as a result of the adoption of this standard.

Effective April 1, 2009, the Hospital adopted retrospectively the changes to the recommendations in CICA Handbook Section 1000 *Financial Statement Concepts*. This standard clarifies that items that do not meet the definition of an asset or a liability may not be recognized on the balance sheet. The adoption of this standard has no impact on the financial statements of the Hospital.

The Credit Valley Hospital

Notes to Financial Statements

March 31, 2010

3 Bank indebtedness

The Hospital has an available demand operating line of credit of up to \$15,000,000, depending on the level of investments, which bears interest based on the bank's prime rate. As at March 31, 2010, the maximum amount available to the Hospital was \$15,000,000, however, no amount was drawn as of that date.

4 Investments

Short-term investments

Under the terms of a trust agreement with the Ministry, the Hospital is required to maintain funds to support certain future payments under long-term financing arrangements. At March 31, 2010, the restricted investments were comprised of short-term investments in Canadian T-bills with a fair market value of \$740,000 (2009 - \$1,169,259). The change in unrealized gain/loss on these investments was \$nil (2009 - \$21,072)

Long-term investments

- a) Unspent capital contributions (note 10) in the amount of \$13,318,569 (2009 - \$13,266,809) are invested in bank accounts bearing interest at prime less 0.5%.
- b) The Hospital has a joint venture agreement with Professional Respiratory Home Care Service Corp., contributing \$50 for a 50% interest in Credit Valley ProResp Inc. (CVH ProResp). At March 31, 2010, the investment was \$552,985 (2009 - \$407,013) and net equity income of \$145,765 (2009 - \$102,387) has been included in investment income. The Hospital has a management services agreement with CVH ProResp to provide supervisory and management services in return for a management fee. Management fee income of \$280,000 has been included in preferred accommodation and other revenue on the statement of operations.

The Credit Valley Hospital

Notes to Financial Statements

March 31, 2010

5 Property and equipment

	2010		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Land and other non-depreciable assets	2,745,335	-	2,745,335
Building and building service equipment	191,949,936	59,824,634	132,125,302
Equipment	113,937,379	91,924,251	22,013,128
Parking garage	18,475,976	10,973,258	7,502,718
Construction in progress	22,716,960	-	22,716,960
	<u>349,825,586</u>	<u>162,722,143</u>	<u>187,103,443</u>
			2009
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Land and other non-depreciable assets	2,745,335	-	2,745,335
Building and building service equipment	190,651,992	54,002,459	136,649,533
Equipment	107,538,341	82,898,160	24,640,181
Parking garage	18,475,976	10,192,824	8,283,152
Construction in progress	17,220,572	-	17,220,572
	<u>336,632,216</u>	<u>147,093,443</u>	<u>189,538,773</u>

During 2010, fully depreciated assets with a cost of \$864,872 were disposed of. In addition, assets with a cost of \$707,631 were sold for \$94,653 resulting in a gain of \$49,863.

Included in equipment are assets under capital leases at a cost of \$549,591 (2009 – \$6,743,514) and accumulated depreciation of \$153,550 (2009 – \$5,108,689).

The Credit Valley Hospital

Notes to Financial Statements

March 31, 2010

6 Deferred contributions

Deferred contributions represent unspent resources externally restricted by the Ministry for specific Hospital operating programs primarily relating to the Peel Regional Cancer Centre. Changes in the deferred contributions balance are as follows:

	2010 \$	2009 \$
Balance – Beginning of year	5,157,384	6,929,973
Add amounts received during the year	5,310,617	2,609,951
Less amounts recognized as revenue during the year	<u>(2,325,815)</u>	<u>(4,382,540)</u>
Balance – End of year	<u>8,142,186</u>	<u>5,157,384</u>

7 Obligations under capital leases

The future minimum annual lease payments under capital and operating leases for computer and medical equipment are as follows:

	\$
2011	94,741
2012	94,741
2013	94,741
2014	94,741
2015	94,741
Thereafter	<u>119,786</u>
Total minimum lease payments	593,491
Less: Amount representing interest between 4% – 6%	<u>(98,349)</u>
Total obligations under capital leases	495,142
Less: Current portion	<u>(68,008)</u>
	<u>427,134</u>

The Credit Valley Hospital

Notes to Financial Statements

March 31, 2010

8 Long-term debt

	2010 \$	2009 \$
Loan due July 2020, interest at 7.25%, requiring current monthly principal repayments of approximately \$18,009. Secured by first charge on parking revenue.	3,576,209	3,792,319
Bank loan due March 31, 2016, interest at prime, requiring current monthly principal repayments of approximately \$57,667, interest fixed at 4.77% through an Interest Rate Swap contract. Secured by second charge on parking revenue.	4,917,000	5,609,000
Amount due to bank in respect of Management Information Systems and related equipment, bearing interest at 2.03% (see below).	2,055,179	-
	<hr/> 10,548,388	<hr/> 9,401,319
Less: Current portion	958,061	908,109
	<hr/> 9,590,327	<hr/> 8,493,210

The first loan above was entered into in July 2000 as financing for a parking garage expansion. The bank loan and Interest Rate Swap were entered into on March 31, 2006 in connection with an additional parking expansion.

On January 11, 2010, the Hospital entered into an agreement with Royal Bank of Canada ("RBC") to lease Management Information Systems and related equipment. The Hospital is required to lease the equipment purchased by RBC on or before December 31, 2010. If the Hospital defaults on this agreement, the Hospital will be required to purchase the equipment from RBC at full cost, plus taxes, installation costs and any unpaid interim rentals. To date, the cost of the equipment financed by the bank in advance of the execution of the lease is \$2,055,179. This amount has been recorded in long-term debt and will be transferred to capital lease obligations when the lease is executed.

Required principal repayments on long-term debt are as follows:

	\$
2011	958,061
2012	1,011,191
2013	1,065,584
2014	1,123,336
2015	1,186,545
Thereafter	<hr/> 3,148,492
	8,493,209
Amount to be transferred to capital lease obligations in 2011	<hr/> 2,055,179
	<hr/> 10,548,388

The Credit Valley Hospital

Notes to Financial Statements

March 31, 2010

9 Employee benefit plans

a) Multi-employer plan

Substantially all of the employees of the Hospital are eligible to be members of HOOPP, which is a multi-employer, defined benefit, final average earnings, contributory pension plan. The Plan is accounted for as a defined contribution pension plan. The Hospital's contributions to the Plan during the year amounted to \$13,616,618 (2009 – \$13,068,158) and are included in salaries, wages and employee benefits expense in the statement of operations. The most recent regulatory funding valuation conducted as at December 31, 2009 disclosed a surplus. This funding valuation also confirmed that the Plan is fully funded on a solvency basis.

b) Accrued non-pension post-employment benefit plans

The Hospital's non-pension post-employment benefit plans comprise medical, dental and life insurance coverage for certain groups of employees who have retired from the Hospital and are between the ages of 55 and 65. The related expense for the year is \$883,172 (2009 - \$1,102,089). Employer contributions during the year for non-pension post-employment benefit plans totalled \$309,672 (2009 – \$297,789).

The accrued benefit liability is measured at March 31. The most recent actuarial valuation for the Hospital's non-pension post-employment benefit plans was prepared at April 1, 2008.

	2010	2009
	\$	\$
Accrued benefit liability at beginning of year	7,759,800	6,955,500
Expense for the year	883,172	1,102,089
Total funding contributions	(309,672)	(297,789)
	<hr/>	<hr/>
Accrued benefit liability at end of year	8,333,300	7,759,800

The significant actuarial assumptions adopted in measuring the Hospital's accrued benefit obligation for the non-pension post-employment benefit plans are as follows:

	2010	2009
	%	%
Discount rate	5.75	8.00

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The significant actuarial assumptions adopted in measuring the Hospital's expense for the non-pension post-employment benefit plans are as follows:

	2010	2009
	%	%
Discount rate	5.75	5.50

The Hospital's growth for health care costs is estimated at 9% and is assumed to decline by 0.5% increments per annum to an ultimate rate of 5%.

10 Deferred capital contributions

Deferred capital contributions consist of the following:

	2010	2009
	\$	\$
Balance – Beginning of year	161,284,497	162,276,104
Contributions received during the year	10,544,487	7,100,488
Less: Amortization	(9,572,328)	(8,092,095)
	<hr/>	<hr/>
Balance – End of year	162,256,656	161,284,497
Represented by:		
Amounts used to fund capital purchases	148,938,027	148,017,688
Unspent capital contributions (note 4)	13,318,569	13,266,809
	<hr/>	<hr/>
Balance – End of year	162,256,596	161,284,497

The Credit Valley Hospital

Notes to Financial Statements

March 31, 2010

11 Affiliated entities

The Foundation, an independent organization, raises funds and holds resources solely for the benefit of the Hospital. All amounts received from the Foundation are externally restricted for capital purposes, and accordingly, have been deferred as capital contributions and are amortized on the same basis, and over the same periods, as the related capital assets that were acquired. The Foundation granted \$3,076,776 (2009 – \$3,644,504) during the year, of which \$2,033,894 is included in receivables at year-end. The March 31, 2009 receivable balance of \$5,743,788 is also included in receivables at year end.

The net assets of the Foundation as at March 31, 2010, totalling \$12,510,887 (2009 – \$12,139,730) are not included in these financial statements.

On May 1, 2003, the Hospital leased its parking facilities to the Foundation. The term of the lease is 21 years with lease payments of \$85,000 per month in the first three years and an amount to be negotiated thereafter. In the event that the parties fail to negotiate and determine a new lease amount, lease payments for the three years beginning May 1, 2006 continue at \$85,000 per month. In addition, the Hospital entered into a management agreement with the Foundation whereby the Hospital was appointed manager of the parking facility. Included in preferred accommodation and other revenue on the statement of operations is \$5,322,159 (2009 – \$5,219,300) of management fee revenue and \$1,020,000 (2009 – \$1,020,000) of rental revenue related to these two agreements with the Foundation. Net parking revenue of \$280,640 (2009 – \$287,665) was retained by the Foundation.

12 Net assets invested in property and equipment

a) Net assets invested in property and equipment is calculated as follows:

	2010 \$	2009 \$
Property and equipment, net	187,103,443	189,538,773
Less amounts funded by:		
Deferred capital contributions (note 10)	(148,938,027)	(148,017,688)
Long-term debt (note 8)	(10,548,388)	(9,401,319)
Obligations under capital leases (note 7)	(495,142)	(1,314,679)
	<u>27,121,886</u>	<u>30,805,087</u>

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- b) Change in net assets invested in property and equipment is calculated as follows:

	2010	2009
	\$	\$
Excess of expenses over revenue		
Amortization of deferred capital contributions:		
Equipment	4,883,026	4,432,777
Building	4,689,302	3,659,318
Amortization:		
Equipment	(10,553,804)	(10,463,315)
Building	(6,602,609)	(5,612,967)
Interest on long-term debt	(533,673)	(574,665)
	<u>(8,117,758)</u>	<u>(8,558,852)</u>
Net change in investment in property and equipment		
Purchase of property and equipment	14,765,873	15,938,722
Amounts funded by deferred contributions	(10,587,320)	(6,799,611)
Repayment of capital lease obligation	819,537	1,053,066
Repayment of long-term debt	908,110	861,254
Increase in long-term debt	(2,055,179)	-
Payment of interest	533,673	574,665
Gain (loss) on disposal of property, plant and equipment	49,863	(25,843)
	<u>4,434,557</u>	<u>11,602,253</u>

13 Commitments and contingencies

- a) The nature of the Hospital's activities are such that there is usually litigation pending or in progress at any one time. With respect to claims as at March 31, 2010, it is management's position that the Hospital has valid defenses and appropriate insurance coverage in place. In the unlikely event any claims are successful, such claims are not expected to have a material effect on the Hospital's financial position.
- b) The Hospital participates in the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its hospital members. All members of the HIROC pool pay actuarially determined annual premiums. All members are subject to assessment for losses, if any, experienced by the pool for the years in which they were members. No assessments have been made for the year ended March 31, 2010.

Since its inception in 1987, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income, less the obligation for claim reserves and expenses and operating expenses.

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- c) In March 2008, the Ministry confirmed their commitment to the construction of the Hospital's Phase II Expansion and Redevelopment Project – expanding the Hospital from 392 to 471 beds and increasing labour and delivery rooms from 7 rooms to 15. The project covers 270,000 square feet of new construction and the renovation of 70,000 square feet of existing space and commenced in May, 2008. The Hospital is expected to take possession of the new facilities on May 1, 2011 at which point a financial settlement with the Ministry will be made.
- d) The Hospital has entered into commitments under operating leases, service contracts and for the purchase of equipment as follows:

	\$
2011	1,715,000
2012	1,446,000
2013	903,000
2014	515,000
2015	105,000
	<u>4,684,000</u>

14 Changes in non-cash working capital balances related to operations

	2010 \$	2009 \$
Receivable from Ontario Ministry of Health and Long-Term Care/Local Health Integration Network	(6,679,412)	7,009,030
Patient accounts receivable	(201,587)	129,236
Other accounts receivable	370,786	2,570
Receivable from The Credit Valley Hospital Foundation	(2,161,173)	(1,204,971)
Inventories	(402,958)	(451,103)
Prepaid expenses and deposits	(259,683)	(53,562)
Due to Ontario Ministry of Health and Long-Term Care/Local Health Integration Network	(208,486)	(9,220,431)
Accounts payable and accrued liabilities	8,368,453	1,739,141
Deferred contributions	2,984,802	(1,772,589)
	<u>1,810,742</u>	<u>(3,822,679)</u>

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15 Financial instruments

Risks arising from financial instruments and risk management

The Hospital is exposed to a variety of financial risks including market and credit risk. The Hospital's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Hospital's financial performance. The Hospital is exposed to interest rate risk and market risk with regards to its short and long-term investments and long-term debt, which are regularly monitored. The interest rate risk is mitigated through an interest rate swap contract (note 8).

Credit risk

Credit risk arises from cash and cash equivalents held with financial institutions, and credit exposures to customers on outstanding accounts receivable balances. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. Cash is held at a major financial institution that has a high credit rating assigned to it by international credit-rating agencies minimizing any potential exposure to credit risk. The Hospital assesses the credit quality of the counterparties, taking into account their financial position and other factors.

Liquidity risk

Liquidity risk results from the Hospital's potential inability to meet its obligations associated with the financial liabilities as they become due. The Hospital monitors its operations and cash flows to ensure that current and future obligations will be met. The Hospital believes that its current sources of liquidity are sufficient to cover its currently known short and long-term cash obligations.

16 Net asset management

The Hospital defines its capital as the amounts included in its net asset and deferred contribution balances.

The Hospital's objective when managing its capital is to safeguard the Hospital's ability to continue as a going concern so that it can continue to provide the appropriate level of benefits and services to its beneficiaries and its stakeholders.

A portion of the Hospital's capital is restricted in that the Hospital is required to meet certain requirements in order to utilize its externally restricted deferred contribution balance as described in note 10. The Hospital employs internal control processes to ensure that the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.

The Hospital sets the amount of net asset balances in proportion to risk, manages the net asset structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.