

The Credit Valley Hospital

Financial Statements

March 31, 2008

May 29, 2008, except as to note 15 which is as of May 30, 2008

Auditors' Report

To the Members of The Credit Valley Hospital

We have audited the balance sheet of **The Credit Valley Hospital** as at March 31, 2008 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, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at March 31, 2007 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their audit report dated May 4, 2007.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Hamilton, Ontario

The Credit Valley Hospital

Balance Sheet

As at March 31, 2008

	2008 \$	2007 \$
Assets		
Current assets		
Cash and cash equivalents	20,358,428	15,062,870
Restricted investments (note 4)	1,163,981	-
Receivable from Ontario Ministry of Health and Long-Term Care	9,115,240	1,600,651
Patient accounts receivable	5,416,148	4,702,803
Other accounts receivable	1,630,987	1,581,025
Receivable from The Credit Valley Hospital Foundation (note 12)	4,538,817	1,266,635
Inventories	1,970,655	1,982,359
Prepaid expenses and deposits	1,872,712	1,710,245
	<hr/> 46,066,968	<hr/> 27,906,588
Other assets	1,012,730	1,421,261
Investments (note 4)	12,965,932	7,143,260
Property and equipment, net (note 5)	192,842,606	199,088,940
	<hr/> 252,888,236	<hr/> 235,560,049
Liabilities		
Current liabilities		
Due to Ontario Ministry of Health and Long-Term Care	11,577,567	7,903,337
Accounts payable and accrued liabilities	27,920,577	22,973,011
Deferred contributions (note 6)	6,929,973	2,104,375
Current portion of obligations under capital leases (note 7)	1,510,775	1,599,996
Current portion of long-term debt (note 8)	861,254	817,420
	<hr/> 48,800,146	<hr/> 35,398,139
Obligations under capital leases (note 7)	856,970	2,367,745
Long-term debt (note 8)	9,401,319	10,262,572
Accrued non-pension post-employment benefits (note 9(b))	6,955,500	6,227,502
Deferred capital contributions (note 10)	162,276,104	154,615,002
	<hr/> 228,290,039	<hr/> 208,870,960
Net assets		
Invested in property and equipment (note 11)	30,902,116	36,569,465
Unrestricted	(6,303,919)	(9,880,376)
	<hr/> 24,598,197	<hr/> 26,689,089
	<hr/> 252,888,236	<hr/> 235,560,049
Commitments and contingencies (notes 7 and 14)		
Subsequent event (note 15)		

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, 2008

	2008 \$	2007 \$
Revenue		
Ontario Ministry of Health and Long-Term Care grants	249,254,524	228,488,827
Patient care	28,118,390	24,843,465
Preferred accommodation and other (note 12)	22,354,756	20,286,108
Investment income	413,876	295,567
Amortization of deferred capital contributions – equipment	4,257,169	4,725,113
	<u>304,398,715</u>	<u>278,639,080</u>
Expenses		
Salaries, wages and employee benefits (note 9)	214,303,719	194,248,653
Supplies and other	40,493,706	37,906,105
Medical and surgical supplies	19,651,368	18,446,483
Drugs	17,314,205	16,149,722
Amortization – equipment	12,141,469	11,862,320
	<u>303,904,467</u>	<u>278,613,283</u>
Excess of revenue over expenses before the following	494,248	25,797
Amortization of deferred capital contributions – building	5,978,767	3,435,903
Amortization – building and parking garage	(7,918,182)	(5,263,728)
Interest on long-term debt	(667,007)	(667,187)
	<u>(2,112,174)</u>	<u>(2,469,215)</u>
Excess of expenses over revenue for the year	<u>(2,112,174)</u>	<u>(2,469,215)</u>

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, 2008

	Invested in property and equipment \$	Unrestricted \$	2008 Total \$	2007 Total \$
Balance – Beginning of year	36,569,465	(9,880,376)	26,689,089	29,158,304
Excess (deficiency) of revenue over expenses for the year (note 11(b))	(10,490,722)	8,378,548	(2,112,174)	(2,469,215)
Unrealized gain on investments (note 4)	-	21,282	21,282	-
Net change in investment in property and equipment (note 11 (b))	4,823,373	(4,823,373)	-	-
Balance – End of year	30,902,116	(6,303,919)	24,598,197	26,689,089

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, 2008

	2008 \$	2007 \$
Cash provided by (used in)		
Operating activities		
Excess of expenses over revenue for the year	(2,112,174)	(2,469,215)
Items not affecting cash		
Amortization of other assets	408,531	817,054
Amortization of property and equipment	20,059,651	17,126,048
Amortization of deferred capital contributions	(10,235,936)	(8,161,016)
Non-pension post-employment benefit expense	941,237	894,156
	<hr/>	<hr/>
	9,061,309	8,207,027
Net change in non-cash working capital balances related to operations (note 13)	1,746,553	13,243,620
Employer non-pension benefit contributions	(213,239)	(176,354)
	<hr/>	<hr/>
	10,594,623	21,274,293
Investing activities		
Decrease (increase) in investments, net	(6,965,371)	700,927
Purchase of property and equipment	(13,813,317)	(12,527,491)
	<hr/>	<hr/>
	(20,778,688)	(11,826,564)
Financing activities		
Repayment of obligations under capital leases	(1,599,996)	(1,735,214)
Repayment of long-term debt	(817,419)	(753,413)
Contributions received for capital purposes	17,897,038	3,996,551
	<hr/>	<hr/>
	15,479,623	1,507,924
Net increase in cash during the year	5,295,558	10,955,653
Cash and cash equivalents – Beginning of year	15,062,870	4,107,217
	<hr/>	<hr/>
Cash and cash equivalents – End of year	20,358,428	15,062,870
Supplementary information		
Interest paid	758,223	868,586
Interest received	725,816	582,850

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

The Credit Valley Hospital

Notes to Financial Statements

March 31, 2008

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 has entered into a Hospital Accountability Agreement (the “HAA”) for fiscal 2008 with the Ontario Ministry of Health and Long-Term Care (the “Ministry”) that sets out the rights and obligations of the two parties to the HAA in respect of funding provided to the Hospital by the Ministry. The HAA 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 has the right to adjust funding received by the Hospital. The Ministry 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 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 The Credit Valley Hospital Foundation (the “Foundation”) or The Credit Valley Volunteer Partners (the “Volunteer Partners”) as they maintain their own accounts and report separately from the Hospital to their own governing bodies (note 12).

The Credit Valley Hospital

Notes to Financial Statements

March 31, 2008

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.

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 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.

Investments

Investments are recorded at fair market value.

The Credit Valley Hospital

Notes to Financial Statements

March 31, 2008

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 provided 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%
Parking garage	5%
Equipment	5 – 33%

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.

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.

The Credit Valley Hospital

Notes to Financial Statements

March 31, 2008

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 14 years.
- iv) Liabilities are discounted using current interest rates on long-term bonds.

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.

The Credit Valley Hospital

Notes to Financial Statements

March 31, 2008

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

The fair value of all short-term financial assets and liabilities approximate their carrying value, given their short maturities, unless otherwise noted. The Hospital is subject to credit risk with respect to its various accounts receivable balances. The short and long-term investments are primarily exposed to interest rate, market and credit risk.

The Canadian Institute of Chartered Accountants (“CICA”) issued the following new accounting standards that the Hospital adopted as of April 1, 2007:

- a) CICA Handbook Section 3855 “Financial Instruments, Recognition and Measurement”;
- b) CICA Handbook Section 3861 “Financial Instruments – Disclosure and Presentation”; and
- c) CICA Handbook Section 3865 “Hedges”.

These new standards require the Hospital to revalue certain of its financial assets and liabilities, including derivatives designated in qualifying hedging relationships and embedded derivatives in certain contracts, at fair value on the initial date of implementation and at each subsequent financial reporting date. These standards also require the Hospital to classify financial assets and liabilities according to their characteristics and management’s choices and intentions related thereto for the purposes of ongoing measurement.

Classification choices for financial assets include:

- a) held for trading – measured at fair value with changes in fair value recorded in the statement of operations;
- b) held to maturity – recorded at amortized cost with gains and losses recognized in the statement of operations in the period that the asset is derecognized or impaired;
- c) available for sale – measured at fair value with changes in fair value recognized in the statement of changes in net assets for the current period until realized through disposal or impairment; and
- d) loans and receivables – recorded at amortized cost with gains and losses recognized in the statement of operations in the period that the asset is derecognized or impaired.

The Credit Valley Hospital

Notes to Financial Statements

March 31, 2008

Classification choices for financial liabilities include:

- a) held for trading – measured at fair value with changes in fair value recorded in the statement of operations; and
- b) other – measured at amortized cost with gains and losses recognized in the statement of operations in the period that the liability is derecognized.

Subsequent measurement for these assets and liabilities is based on either fair value or amortized cost using the effective interest method, depending upon their classification. Any financial asset or liability can be classified as held for trading as long as its fair value is reliably determinable.

In accordance with the new standard, the Hospital's financial assets and liabilities are generally classified and measured as follows:

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 changes 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.

Neither the notional principal amounts nor the current replacement value of outstanding financial instruments are carried on the balance sheet. 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.

The adoption of these new accounting policies did not have a material impact on the financial statements of the Hospital.

The Credit Valley Hospital

Notes to Financial Statements

March 31, 2008

Recently issued accounting pronouncements

The Canadian Institute of Chartered Accountants (“CICA”) has issued the following accounting standards which are effective for the Hospital on April 1, 2008:

- a) CICA Handbook Section 1535 “Capital Disclosures” establishes standards for disclosing information about the Hospital’s capital and how it is managed to enable users of the financial statements to evaluate the Hospital’s objectives, policies and procedures for managing capital.
- b) CICA Handbook Section 3862 “Financial Instruments – Disclosures” requires disclosures in the financial statements that will enable users to evaluate the significance of financial instruments for the Hospital’s financial position and performance; the nature and extent of risks arising from financial instruments to which the Hospital is exposed during the period and at the balance sheet date, and how the Hospital manages those risks.
- c) CICA Handbook Section 3863 “Financial Instruments – Presentation” establishes standards for presentation of financial instruments and non-financial derivatives and complements the existing CICA Handbook Section 3861, “Financial Instruments – Disclosure and Presentation”.
- d) CICA Handbook Section 3031 “Inventories” provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

The Hospital is currently evaluating the impact on the financial statements of adopting these new accounting and reporting standards.

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, 2008, the maximum amount available to the Hospital was \$15,000,000, however, no amount was drawn as of that date.

The Credit Valley Hospital

Notes to Financial Statements

March 31, 2008

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, 2008, the restricted investments were comprised of short-term investments in Canadian T-bills with a fair market value of \$1,163,981. The unrealized gain on these investments was \$21,282.

Long-term investments

Unspent capital contributions (note 10) in the amount of \$12,965,932 (2007 - \$7,143,260) are invested in bank accounts bearing interest at rates from 3.4% to 4.4%.

5 Property and equipment

	2008		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	\$
Land and other non-depreciable assets	2,672,835	-	2,672,835
Building and building service equipment	189,658,031	49,313,807	140,344,224
Parking garage	18,475,976	9,268,509	9,207,467
Equipment	100,935,790	72,187,975	28,747,815
Construction in progress	11,870,265	-	11,870,265
	323,612,897	130,770,291	192,842,606
			2007
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	\$
Land and other non-depreciable assets	2,670,185	-	2,670,185
Building and building service equipment	182,734,370	42,319,940	140,414,430
Parking garage	18,475,976	8,344,194	10,131,782
Equipment	98,047,210	64,915,990	33,131,220
Construction in progress	12,741,323	-	12,741,323
	314,669,064	115,580,124	199,088,940

The Credit Valley Hospital

Notes to Financial Statements

March 31, 2008

During 2008, fully amortized assets with a cost of \$4,869,484 were written off (2007 - \$6,724,532).

Included in equipment are assets under capital leases at a cost of \$8,399,956 (2007 - \$8,399,956) and accumulated amortization of \$8,386,521 (2007 - \$6,725,338).

6 Deferred contributions

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

	2008 \$	2007 \$
Balance – Beginning of year	2,104,375	2,495,302
Add amounts received during the year	8,596,256	582,548
Less amounts recognized as revenue during the year	(3,770,658)	(973,475)
	<hr/>	<hr/>
Balance – End of year	6,929,973	2,104,375

7 Lease commitments

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

	Capital leases \$	Operating leases \$
2009	1,581,495	129,402
2010	870,313	129,402
2011	-	61,210
2012	-	11,893
	<hr/>	<hr/>
Total minimum lease payments	2,451,808	331,907
Less: Amount representing interest at 4.2%	(84,063)	
	<hr/>	
Total obligations under capital leases	2,367,745	
Less: Current portion	(1,510,775)	
	<hr/>	
	856,970	

The Credit Valley Hospital

Notes to Financial Statements

March 31, 2008

8 Long-term debt

	2008 \$	2007 \$
Loan due July 2020, interest at 7.25%, requiring current monthly principal repayments of approximately \$16,771. Secured by first charge on parking revenue.	3,993,573	4,180,992
Bank loan due March 31, 2016, interest at prime, requiring current monthly principal repayments of approximately \$55,000, interest fixed at 4.77% through an Interest Rate Swap contract. Secured by second charge on parking revenue.	6,269,000	6,899,000
	<u>10,262,573</u>	<u>11,079,992</u>
Less: Current portion	861,254	817,420
	<u>9,401,319</u>	<u>10,262,572</u>

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.

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

	\$
2009	861,254
2010	908,109
2011	958,061
2012	1,011,191
2013	1,065,584
Thereafter	5,458,374
	<u>10,262,573</u>

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 \$12,208,539 (2007 – \$11,195,523) 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, 2005 disclosed actuarial assets of \$22,853,000,000 with accrued pension liabilities of \$23,419,000,000 resulting in a deficit of \$566,000,000. This funding valuation also confirmed that the Plan is fully funded on a solvency basis.

The Credit Valley Hospital

Notes to Financial Statements

March 31, 2008

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. Employer contributions during the year for non-pension post-employment benefit plans totalled \$213,239 (2007 – \$176,354). The related expense for the year is \$941,237 (2007 – \$894,156).

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, 2005.

	2008	2007
	\$	\$
Accrued benefit obligation – Beginning of year	7,954,300	7,721,600
Unamortized experience losses	(998,800)	(1,494,098)
	<u>6,955,500</u>	<u>6,227,502</u>
Accrued benefit liability – End of year	<u>6,955,500</u>	<u>6,227,502</u>

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

	2008	2007
	%	%
Discount rate	5.50	5.00
Expected annual increase in health care costs	4.00	4.00

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

	2008	2007
	%	%
Discount rate	5.75	5.75
Expected annual increase in health care costs *	4.50	4.50

* The current rate is 9.5%. The rate is presumed to decline by 1.0% increments per annum to an ultimate rate of 4.5%.

The Credit Valley Hospital

Notes to Financial Statements

March 31, 2008

10 Deferred capital contributions

Deferred capital contributions consist of the following:

	2008 \$	2007 \$
Balance – Beginning of year	154,615,002	158,779,467
Contributions received during the year	17,897,038	3,996,551
Less: Amortization	(10,235,936)	(8,161,016)
	<hr/>	<hr/>
Balance – End of year	162,276,104	154,615,002
Represented by:		
Amounts used to fund capital purchases	149,310,172	147,471,742
Unspent capital contributions (note 4)	12,965,932	7,143,260
	<hr/>	<hr/>
Balance – End of year	162,276,104	154,615,002
	<hr/>	<hr/>

11 Net assets invested in property and equipment

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

	2008 \$	2007 \$
Property and equipment, net	192,842,606	199,088,940
Less amounts funded by:		
Obligations under capital leases	(2,367,745)	(3,967,741)
Long-term debt	(10,262,573)	(11,079,992)
Deferred capital contributions	(149,310,172)	(147,471,742)
	<hr/>	<hr/>
	30,902,116	36,569,465
	<hr/>	<hr/>

The Credit Valley Hospital

Notes to Financial Statements

March 31, 2008

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

	2008	2007
	\$	\$
Excess of expenses over revenue		
Amortization of deferred capital contributions:		
Equipment	4,257,169	4,725,113
Building	5,978,767	3,435,903
Amortization:		
Equipment	(12,141,469)	(11,862,320)
Building	(7,918,182)	(5,263,728)
Interest on long-term debt	(667,007)	(667,187)
	<u>(10,490,722)</u>	<u>(9,632,219)</u>
Net change in investment in property and equipment		
Purchase of property and equipment	13,813,317	12,527,491
Amounts funded by deferred contributions	(12,074,366)	(4,697,479)
Repayment of capital lease obligation	1,599,996	1,735,214
Repayment of long-term debt	817,419	753,413
Payment of interest	667,007	667,187
	<u>4,823,373</u>	<u>10,985,826</u>

12 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 \$4,499,645 (2007 – \$4,834,732) during the year in connection with the funding of capital assets, of which \$4,538,817, is recorded as a receivable at year-end. In addition, an amount of \$88,569 (2007 – \$88,657) due from the Foundation is included in other accounts receivable.

The net assets of the Foundation as at March 31, 2008, totalling \$11,514,709 (2007 – \$11,586,814) 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. Since the parties did not negotiate 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 \$4,516,654 (2007 – \$4,054,506) of management fee revenue and \$1,020,000 (2007 – \$1,020,000) of rental revenue related to these two agreements with the Foundation. Net parking revenue of \$357,598 (2007 – \$327,766) was retained by the Foundation.

The Credit Valley Hospital

Notes to Financial Statements

March 31, 2008

The Volunteer Partners, an independent organization, engages in fundraising activities to generate funds solely for the benefit of the Hospital. All amounts received from the Volunteer Partners 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 net assets of the Volunteer Partners as at March 31, 2008, totalling \$176,166 (2007 – \$239,918) are not included in these financial statements.

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

	2008	2007
	\$	\$
Receivable from Ontario Ministry of Health and Long-Term Care	(7,514,589)	7,865,843
Patient accounts receivable	(713,345)	(354,934)
Other accounts receivable	(49,962)	(238,695)
Receivable from The Credit Valley Hospital Foundation	(3,272,182)	(59,204)
Inventories	11,704	(502,765)
Prepaid expenses and deposits	(162,467)	(876,563)
Due to Ontario Ministry of Health and Long-Term Care	3,674,230	6,736,210
Accounts payable and accrued liabilities	4,947,566	1,064,655
Deferred contributions	4,825,598	(390,927)
	<u>1,746,553</u>	<u>13,243,620</u>

14 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, 2008, 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, 2008.

The Credit Valley Hospital

Notes to Financial Statements

March 31, 2008

15 Subsequent event

On May 30, 2008, The Credit Valley Hospital and Bondfield Construction Co. Ltd. reached financial close with regards to a capital expansion project of approximately 270,000 square feet and 70,000 square feet of renovations. This project will provide enhanced hospital services including more beds (392 to 471) and double the number of labour and delivery rooms (seven to 15) with additional room for growth.

The agreement commits Bondfield Construction Co. Ltd. to build and finance the redevelopment project for \$162.8 million which will be paid by the Hospital when construction is completed in fall 2011. The provincial government will fund 90 percent of eligible construction costs. However, costs associated with medical equipment, furniture and site preparation are funded wholly by the Hospital. The Hospital's share of construction, equipment and other costs totals \$60.4 million and this will be funded by a number of hospital revenue sources as well as a Credit Valley Hospital Foundation capital campaign and debt to be incurred once the Hospital accepts substantial completion of the entire project.

16 Comparative figures

Certain prior year figures have been reclassified to conform with the current year's presentation.

