

# **The Credit Valley Hospital**

Financial Statements

**March 31, 2009**

May 26, 2009

## 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, 2009 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, 2009 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

Hamilton, Ontario

# The Credit Valley Hospital

## Balance Sheet

As at March 31, 2009

	2009 \$	2008 \$ (note 3)
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	7,142,400	20,464,683
Restricted investments (note 5)	1,169,259	1,163,981
Receivable from Ontario Ministry of Health and Long-Term Care/Local Health Integration Network	2,106,210	9,115,240
Patient accounts receivable	5,286,912	5,416,148
Other accounts receivable	1,752,402	1,754,972
Receivable from The Credit Valley Hospital Foundation (note 13)	5,743,788	4,538,817
Inventories	2,512,961	2,061,858
Prepaid expenses and deposits	1,926,274	1,872,712
	<hr/> 27,640,206	<hr/> 46,388,411
<b>Other assets</b>	852,755	1,012,730
<b>Investments</b> (note 5)	13,673,822	13,270,558
<b>Property and equipment, net</b> (note 6)	189,538,773	189,702,176
	<hr/> 231,705,556	<hr/> 250,373,875
<b>Liabilities</b>		
<b>Current liabilities</b>		
Due to Ontario Ministry of Health and Long-Term Care/Local Health Integration Network	2,357,136	11,577,567
Accounts payable and accrued liabilities	29,675,379	27,936,238
Deferred contributions (note 7)	5,157,384	6,929,973
Current portion of obligations under capital leases (note 8)	923,207	1,510,775
Current portion of long-term debt (note 9)	908,109	861,254
	<hr/> 39,021,215	<hr/> 48,815,807
<b>Obligations under capital leases</b> (note 8)	391,472	856,970
<b>Long-term debt</b> (note 9)	8,493,210	9,401,319
<b>Accrued non-pension post-employment benefits</b> (note 10(b))	7,759,800	6,955,500
<b>Deferred capital contributions</b> (note 11)	161,284,497	162,276,104
	<hr/> 216,950,194	<hr/> 228,305,700
<b>Net assets</b>		
<b>Invested in property and equipment</b> (note 12)	30,805,087	27,761,686
<b>Unrestricted</b>	(16,049,725)	(5,693,511)
	<hr/> 14,755,362	<hr/> 22,068,175
	<hr/> 231,705,556	<hr/> 250,373,875
<b>Commitments and contingencies</b> (notes 8 and 14)		

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, 2009

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	<b>2009</b>	<b>2008</b>
	\$	\$
		(note 3)
<b>Revenue</b>		
Ontario Ministry of Health and Long-Term Care/Local Health Integration Network	258,604,803	249,254,524
Preferred accommodation and other (notes 5 and 13)	22,012,467	22,875,758
Patient care	30,726,692	28,118,390
Investment income	332,571	500,896
Amortization of deferred capital contributions – equipment (note 12(b))	4,432,777	4,257,169
	<u>316,109,310</u>	<u>305,006,737</u>
<b>Expenses</b>		
Salaries, wages and employee benefits (note 10)	229,990,286	214,388,530
Supplies and other	42,921,490	40,984,933
Medical and surgical supplies	20,077,938	19,651,368
Drugs	17,419,709	17,314,205
Amortization – equipment	10,463,315	12,149,000
	<u>320,872,738</u>	<u>304,488,036</u>
<b>Excess (deficiency) of revenue over expenses for the year prior to building amortization and interest on long-term debt</b>	(4,763,428)	518,701
Amortization of capital contributions – building (note 12(b))	3,659,318	5,978,767
Amortization – land improvements and building	(5,612,967)	(7,918,182)
Interest on long-term debt	(574,665)	(667,007)
	<u>(7,291,742)</u>	<u>(2,087,721)</u>
<b>Deficiency of revenue over expenses for the year</b>	<u>(7,291,742)</u>	<u>(2,087,721)</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, 2009

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	Invested in property and equipment \$	Unrestricted \$	2009 Total \$	2008 Total \$ (note 3)
<b>Balance – Beginning of year</b>				
As previously reported	30,902,116	(6,303,919)	24,598,197	26,689,089
Adjustment to opening net assets (note 3)	(3,140,430)	610,408	(2,530,022)	(2,554,475)
As restated	27,761,686	(5,693,511)	22,068,175	24,134,614
Excess (deficiency) of revenue over expenses for the year (note 12(b))	(8,558,852)	1,267,110	(7,291,742)	(2,087,721)
Change in unrealized gain on investments (note 5)	-	(21,071)	(21,071)	21,282
Net change in investment in property and equipment (note 12(b))	11,602,253	(11,602,253)	-	-
<b>Balance – End of year</b>	<b>30,805,087</b>	<b>(16,049,725)</b>	<b>14,755,362</b>	<b>22,068,175</b>

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, 2009

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	2009 \$	2008 \$ (note 3)
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Deficiency of revenue over expenses for the year	(7,291,742)	(2,087,721)
Items not affecting cash		
Amortization of other assets	159,975	408,531
Amortization of property and equipment	16,076,282	20,067,182
Amortization of deferred capital contributions	(8,092,095)	(10,235,936)
Non-pension post-employment benefit expense	1,102,089	941,238
Equity earned in joint venture	(102,387)	(82,837)
Loss on disposal of property, plant and equipment	25,843	-
	<hr/>	<hr/>
	1,877,965	9,010,457
Net change in non-cash working capital balances related to operations (note 15)	(3,822,679)	1,667,625
Employer non-pension benefit contributions	(297,788)	(213,239)
	<hr/>	<hr/>
	(2,242,502)	10,464,843
<b>Investing activities</b>		
Purchase of property and equipment	(15,938,722)	(13,852,277)
Increase in investments	(327,227)	(6,965,371)
	<hr/>	<hr/>
	(16,265,949)	(20,817,648)
<b>Financing activities</b>		
Decrease in obligations under capital leases	(1,053,066)	(1,599,996)
Repayment of long-term debt	(861,254)	(817,419)
Contributions received for capital purposes	7,100,488	17,897,038
	<hr/>	<hr/>
	5,186,168	15,479,623
<b>Net increase (decrease) in cash and cash equivalents during the year</b>	(13,322,283)	5,126,818
<b>Cash and cash equivalents – Beginning of year</b>	20,464,683	15,337,865
	<hr/>	<hr/>
<b>Cash and cash equivalents – End of year</b>	7,142,400	20,464,683
	<hr/>	<hr/>
<b>Supplementary information</b>		
Interest paid	645,842	758,223
Interest received	531,094	725,816

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

# The Credit Valley Hospital

Notes to Financial Statements

March 31, 2009

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## 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 has entered into a Hospital Service Accountability Agreement (the “H-SAA”) for 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 13).

### **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, 2009

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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 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%
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, 2009

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

# The Credit Valley Hospital

Notes to Financial Statements

March 31, 2009

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## **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 5. 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, 2009

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The following table presents the classification of financial instruments as at March 31, 2009:

<b>Assets/liabilities</b>	<b>Category</b>	<b>Measurement</b>
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.

## **Changes in accounting policies**

### *Capital management*

Effective April 1, 2008, the Hospital adopted the recommendations of the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1535, *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate the Hospital’s objectives, policies and processes for managing capital (note 17).

### *Inventories*

Effective April 1, 2008, the Hospital adopted the recommendations of CICA Handbook Section 3031, *Inventories*. These recommendations provide guidance on the measurement and disclosure requirements for inventories. The adoption of these new recommendations had no impact on the Hospital’s financial statements.

# The Credit Valley Hospital

Notes to Financial Statements

March 31, 2009

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## *Financial instruments*

The Accounting Standards Board (“AcSB”) announced that the application of Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation*, were voluntary for not-for-profit organizations. In accordance with this announcement, the Hospital has chosen not to adopt these standards, as the required disclosures would not provide additional useful information given the nature of the Hospital’s financial instruments.

## **Recently issued accounting pronouncements**

The CICA has issued the following accounting standards which are effective for the Hospital on April 1, 2009:

The AcSB has approved amendments to several standards dealing with not-for-profit organizations in the 4400 series the CICA Handbook sections. Specifically, the amendments eliminate the requirement to treat net assets invested in property and equipment as a separate component of net assets.

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

## **3 Prior period adjustment**

- a) During the year ended March 31, 2009, the Hospital determined that equipment with a cost of \$3,172,472 acquired in prior years had not been amortized. This equipment should have been fully amortized, with a net book value of \$nil, as of April 1, 2007. Correction of this error resulted in an increase in accumulated amortization of \$3,172,472, and an associated decrease in net book value of equipment and net assets invested in property and equipment as of April 1, 2007.

The financial statements of 2008 have been restated to correct this error. There is no effect in 2009.

- b) During the year ended March 31, 2009, the Hospital determined that their 50% interest in the Credit Valley ProResp joint venture, acquired in prior years and recorded at cost, should be recorded as an equity investment. Correction of this error resulted in an increase in long-term investments of \$304,626, a decrease in cash of \$50, an increase in management fee receivable of \$166,000 and GST payable of \$9,660, an increase in investment income of \$82,837 and an increase in net assets of \$378,079.

The financial statements of 2008 have been restated to correct this error. An increase in the investment and investment income of \$102,387 has been reflected in the 2009 financial statements.

# The Credit Valley Hospital

## Notes to Financial Statements

March 31, 2009

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- c) During the year ended March 31, 2009, the Hospital determined that the Volunteer Partners should have been consolidated with the financial statements of the Hospital. Correction of this error resulted in an increase in the deficiency of revenue over expenses of \$58,834, and an increase in net assets of \$181,534 as of March 31, 2008.

The financial statements of 2008 have been restated to correct this error. A decrease in the deficiency of revenues over expenses of \$37,211, and an associated decrease in net assets has been reflected in the 2009 financial statements.

### 4 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, 2009, the maximum amount available to the Hospital was \$15,000,000, however, no amount was drawn as of that date.

### 5 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, 2009, the restricted investments were comprised of short-term investments in Canadian T-bills with a fair market value of \$1,169,259. The change in unrealized gain (loss) on these investments was \$21,071.

#### Long-term investments

- a) Unspent capital contributions (note 11) in the amount of \$13,266,809 (2008 - \$12,965,932) are invested in bank accounts bearing interest at rates from 0.70% to 3.27%.
- 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 2009, the investment was \$407,013 (2008 - \$304,626) and net equity income of \$102,387 (2008 - \$82,837) 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 \$210,000 has been included in preferred accommodation and other revenue on the statement of operations.

# The Credit Valley Hospital

Notes to Financial Statements

March 31, 2009

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## 6 Property and equipment

	<b>2009</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	\$	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>
			<b>2008</b>
			(note 3)
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	\$	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
Equipment	100,940,378	75,332,993	25,607,385
Parking garage	18,475,976	9,268,509	9,207,467
Construction in progress	11,870,265	-	11,870,265
	<u>323,617,485</u>	<u>133,915,309</u>	<u>189,702,176</u>

During 2009, assets with a cost of \$2,966,040 were written off (2008 - \$4,869,484), resulting in a loss on disposal of \$25,843.

Included in equipment are assets under capital leases at a cost of \$8,866,194 (2008 - \$8,399,956) and accumulated depreciation of \$8,470,777 (2008 - \$8,386,521).

# The Credit Valley Hospital

Notes to Financial Statements

March 31, 2009

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## 7 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:

	<b>2009</b>	<b>2008</b>
	\$	\$
Balance – Beginning of year	6,929,973	2,104,375
Add amounts received during the year	2,609,951	8,596,256
Less amounts recognized as revenue during the year	(4,382,540)	(3,770,658)
	<hr/>	<hr/>
Balance – End of year	5,157,384	6,929,973
	<hr/>	<hr/>

## 8 Lease commitments

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

	<b>Capital</b>	<b>Operating</b>
	<b>leases</b>	<b>leases</b>
	\$	\$
2010	959,634	284,402
2011	78,290	87,044
2012	78,290	11,893
2013	78,290	-
2014	78,290	-
Thereafter	134,455	-
	<hr/>	<hr/>
Total minimum lease payments	1,407,249	383,339
Less: Amount representing interest at 4.2%	(92,570)	<hr/>
	<hr/>	
Total obligations under capital leases	1,314,679	
Less: Current portion	(923,207)	
	<hr/>	
	391,472	
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# The Credit Valley Hospital

Notes to Financial Statements

March 31, 2009

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## 9 Long-term debt

	2009 \$	2008 \$
Loan due July 2020, interest at 7.25%, requiring current monthly principal repayments of approximately \$18,009. Secured by first charge on parking revenue.	3,792,319	3,993,573
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.	5,609,000	6,269,000
	<u>9,401,319</u>	<u>10,262,573</u>
Less: Current portion	908,109	861,254
	<u>8,493,210</u>	<u>9,401,319</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:

	\$
2010	908,109
2011	958,061
2012	1,011,191
2013	1,065,584
2014	1,123,336
Thereafter	<u>4,335,038</u>
	<u>9,401,319</u>

## 10 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 \$13,068,158 (2008 – \$12,208,539) 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, 2008 disclosed actuarial assets of \$30,261,000,000 with accrued pension liabilities of \$31,244,000,000 resulting in a deficit of \$983,000,000. 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, 2009

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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 \$1,102,089 (2008 - \$941,238). Employer contributions during the year for non-pension post-employment benefit plans totalled \$297,788 (2008 - \$213,238).

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.

	<b>2009</b>	<b>2008</b>
	\$	\$
Accrued benefit obligation – Beginning of year	6,449,300	7,954,300
Unamortized experience gains (losses)	1,310,500	(998,800)
	<hr/>	<hr/>
Accrued benefit liability – End of year	<u>7,759,800</u>	<u>6,955,500</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:

	<b>2009</b>	<b>2008</b>
	%	%
Discount rate	8.00	5.50
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:

	<b>2009</b>	<b>2008</b>
	%	%
Discount rate	5.50	5.75
Expected annual increase in health care costs *	5.00	4.50

\* The current rate is 9%. The rate is presumed to decline by 0.5% increments per annum to an ultimate rate of 5%.

# The Credit Valley Hospital

Notes to Financial Statements

March 31, 2009

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## 11 Deferred capital contributions

Deferred capital contributions consist of the following:

	<b>2009</b>	<b>2008</b>
	\$	\$
Balance – Beginning of year	162,276,104	154,615,002
Contributions received during the year	7,100,488	17,897,038
Less: Amortization	(8,092,095)	(10,235,936)
	<hr/>	<hr/>
Balance – End of year	161,284,497	162,276,104
	<hr/>	<hr/>
Represented by:		
Amounts used to fund capital purchases	148,017,688	149,310,172
Unspent capital contributions (note 5)	13,266,809	12,965,932
	<hr/>	<hr/>
Balance – End of year	161,284,497	162,276,104
	<hr/>	<hr/>

## 12 Net assets invested in property and equipment

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

	<b>2009</b>	<b>2008</b>
	\$	\$
Property and equipment, net	189,538,773	189,702,176
Less amounts funded by:		(note 3)
Deferred capital contributions (note 11)	(148,017,688)	(149,310,172)
Long-term debt (note 9)	(9,401,319)	(10,262,573)
Obligations under capital leases (note 8)	(1,314,679)	(2,367,745)
	<hr/>	<hr/>
	30,805,087	27,761,686
	<hr/>	<hr/>

# The Credit Valley Hospital

Notes to Financial Statements

March 31, 2009

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

	2009	2008
	\$	\$
Excess of expenses over revenue		
Amortization of deferred capital contributions:		
Equipment	4,432,777	4,257,169
Building	3,659,318	5,978,767
Amortization:		
Equipment	(10,463,315)	(12,149,000)
Building	(5,612,967)	(7,918,182)
Interest on long-term debt	(574,665)	(667,007)
	<u>(8,558,852)</u>	<u>(10,498,253)</u>
Net change in investment in property and equipment		
Purchase of property and equipment	15,938,722	13,852,277
Loss on disposal of property, plant and equipment	(25,843)	-
Amounts funded by deferred contributions	(6,799,611)	(12,074,366)
Repayment of capital lease obligation	1,053,066	1,599,996
Repayment of long-term debt	861,254	817,419
Payment of interest	574,665	667,007
	<u>11,602,253</u>	<u>4,862,333</u>

## 13 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 \$3,644,504 (2008 – \$4,496,995) during the year in connection with the funding of capital assets, of which \$5,743,788, is recorded as a receivable at year-end. In addition, an amount of \$104,155 (2008 – \$88,569) due from the Foundation is included in other accounts receivable.

The net assets of the Foundation as at March 31, 2009, totalling \$12,139,730 (2008 – \$11,514,709) are not included in these financial statements.

# The Credit Valley Hospital

Notes to Financial Statements

March 31, 2009

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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 \$5,219,300 (2008 – \$4,516,654) of management fee revenue and \$1,020,000 (2008 – \$1,020,000) of rental revenue related to these two agreements with the Foundation. Net parking revenue of \$287,665 (2008 – \$357,598) was retained by the Foundation.

## 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, 2009, 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, 2009.

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.

- 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.

# The Credit Valley Hospital

Notes to Financial Statements

March 31, 2009

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## 15 Changes in non-cash working capital balances related to operations

	2009 \$	2008 \$ (note 3)
Receivable from Ontario Ministry of Health and Long-Term Care/Local Health Integration Network	7,009,030	(7,514,589)
Patient accounts receivable	129,236	(713,345)
Other accounts receivable	2,570	(50,253)
Receivable from The Credit Valley Hospital Foundation	(1,204,971)	(3,272,182)
Inventories	(451,103)	(54,245)
Prepaid expenses and deposits	(53,562)	(160,467)
Due to Ontario Ministry of Health and Long-Term Care/Local Health Integration Network	(9,220,431)	3,674,230
Accounts payable and accrued liabilities	1,739,141	4,932,878
Deferred contributions	(1,772,589)	4,825,598
	<u>(3,822,679)</u>	<u>1,667,625</u>

## 16 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 9).

### 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.

# **The Credit Valley Hospital**

Notes to Financial Statements

**March 31, 2009**

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## **17 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 11. 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.

## **18 Comparative figures**

Certain prior year comparative figures have been reclassified to conform to the current year's financial statement presentation.

