

**The Royal Victoria Hospital  
of Barrie Incorporated**  
**Financial Statements**  
For the year ended March 31, 2011

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## Independent Auditor's Report

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**To the Chairman, Board of Directors and Members of the Corporation,  
The Royal Victoria Hospital of Barrie Incorporated**

We have audited the accompanying financial statements of The Royal Victoria Hospital of Barrie Incorporated, which comprise the statement of financial position as at March 31, 2011, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Royal Victoria Hospital of Barrie Incorporated as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*BDO Canada LLP*

Chartered Accountants, Licensed Public Accountants

Barrie, Ontario  
May 24, 2011

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# The Royal Victoria Hospital of Barrie Incorporated

## Statement of Financial Position

(in thousands of dollars)

March 31	2011	2010
		(note 15)
<b>Assets</b>		
<b>Current</b>		
Cash and short-term investment (note 1)	\$ 38,427	\$ 11,481
Amounts due from		
- Ministry of Health and Long-Term Care/Local Health Integration Network	2,575	1,998
- Cancer Care Ontario	1,715	1,463
- The Royal Victoria Hospital of Barrie Foundation (note 13(a))	836	135
Accounts receivable	6,077	4,448
Grants receivable	12,897	500
Inventories	1,612	2,406
Prepaid expenses	1,750	1,227
	<b>65,889</b>	<b>23,658</b>
Investment in joint venture (note 13(c))	161	161
Capital assets (note 2)	69,228	70,729
Phase 1 Capital Expansion Project (note 17)	214,798	107,607
	<b>\$ 350,076</b>	<b>\$ 202,155</b>
<b>Liabilities and Net Assets (Deficit)</b>		
<b>Current</b>		
Accounts payable and accrued charges	\$ 43,483	\$ 35,116
Due to Ministry of Health and Long-Term Care/Local Health Integration Network	1,511	790
Due to Cancer Care Ontario	232	185
Current portion of obligations under capital leases (note 4)	138	149
	<b>45,364</b>	<b>36,240</b>
Current portion of Phase 1 Capital Expansion Project (note 17)	155,814	-
	<b>201,178</b>	<b>36,240</b>
Obligations under capital leases (note 4)	411	573
Deferred capital contributions related to capital assets (note 5)	48,950	52,051
Phase 1 Capital Expansion Project (note 17)	95,815	111,129
Employee post-retirement benefits (note 11)	3,208	2,841
<b>Net Assets (Deficit)</b>		
Internally restricted		
Invested in capital assets (note 6(a))	19,729	17,956
Reserve funds (note 12)	4,957	4,181
Unrestricted	(24,172)	(22,816)
	<b>514</b>	<b>(679)</b>
	<b>\$ 350,076</b>	<b>\$ 202,155</b>

On behalf of the Board: \_\_\_\_\_ Director \_\_\_\_\_ Director

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

# The Royal Victoria Hospital of Barrie Incorporated

## Statement of Operations

(in thousands of dollars)

For the year ended March 31	2011	2010
<b>Revenues</b>		
Ontario Ministry of Health and Long-Term Care/North Simcoe Muskoka Local Health Integration Network		
Hospital programs	\$ 163,872	\$ 159,417
Specifically funded programs (note 8)	6,660	6,656
Cancer Care Ontario	13,327	11,739
OHIP and other patient care	18,067	17,258
Preferred accommodation	3,928	4,553
Other	13,606	10,911
Amortization of deferred contributions	3,639	4,546
	223,099	215,080
<b>Expenses</b>		
Salaries, wages and benefits	124,533	125,417
Medical staff remuneration	25,069	23,654
Medical and surgical supplies	14,717	13,564
Drugs	12,449	12,581
Specifically funded programs (note 8)	6,659	6,652
Other supplies and expenses	30,674	27,651
Amortization of capital assets	7,805	8,236
	221,906	217,755
<b>Excess of revenues over expenses (expenses over revenues) for the year</b>	\$ 1,193	\$ (2,675)

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

**The Royal Victoria Hospital of Barrie Incorporated**  
**Statement of Changes in Net Assets**

(in thousands of dollars)

For the year ended March 31	Invested in Capital Assets	Reserve Funds	Unrestricted	2011	2010
	(note 6)	(note 12)			
Balance, beginning of year	\$ 17,956	\$ 4,181	\$ (22,816)	\$ (679)	\$ 1,996
Excess of revenues over expenses (expenses over revenues) for the year	(4,125)	-	5,318	1,193	(2,675)
Net change in investment in capital assets (note 6)	5,898	-	(5,898)	-	-
Internally imposed restrictions (note 12)	-	776	(776)	-	-
Balance, end of year	\$ 19,729	\$ 4,957	\$ (24,172)	\$ 514	\$ (679)

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

# The Royal Victoria Hospital of Barrie Incorporated

## Statement of Cash Flows

(in thousands of dollars)

For the year ended March 31	2011	2010
<b>Cash flows from operating activities</b>		
Excess of revenues over expenses (expenses over revenues) for the year	\$ 1,193	\$ (2,675)
Charges (credits) to operations not involving cash		
Loss (gain) on disposal of capital assets	(71)	18
Amortization of capital assets	7,872	8,302
Amortization of deferred capital contributions related to capital assets	(3,676)	(4,583)
Deferred contributions recognized as revenue	(16)	(199)
Increase in employee post-retirement benefits liability	367	707
Net change in non-cash working capital balances related to operations (note 7)	6,747	(621)
	12,416	949
<b>Cash flows from investing activities</b>		
Additions to capital assets	(5,595)	(5,909)
Proceeds on disposal of capital assets	280	-
Additions to Phase 1 Capital Expansion Project (note 17)	(10,592)	(4,249)
	(15,907)	(10,158)
<b>Cash flows from financing activities</b>		
Repayment of obligations under capital leases	(173)	(163)
Increase in deferred capital contributions		
- related to capital assets	591	622
- related to Phase 1 Capital Expansion Project	30,019	800
	30,437	1,259
<b>Increase (decrease) in cash and short-term investment during the year</b>	26,946	(7,950)
<b>Cash and short-term investment, beginning of year</b>	11,481	19,431
<b>Cash and short-term investment, end of year</b>	\$ 38,427	\$ 11,481

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

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# The Royal Victoria Hospital of Barrie Incorporated

## Summary of Significant Accounting Policies

For the year ended March 31, 2011

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<b>Nature of Organization</b>	<p>The Hospital is incorporated without share capital under the Canada Business Corporations Act as a charitable organization and is a registered charity within the meaning of the Income Tax Act (Canada). The Hospital is principally involved in providing health care services to the residents of Simcoe County.</p>
<b>Basis of Presentation</b>	<p>The financial statements of the Hospital are prepared in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year.</p>
<b>Revenue Recognition</b>	<p>The Hospital follows the deferral method of accounting for contributions which includes donations and government grants.</p> <p>Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2011.</p> <p>Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.</p> <p>Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related asset.</p> <p>Fees for medical services are recognized as revenue when the services are provided.</p>
<b>Contributed Services</b>	<p>The Hospital is dependant on the voluntary services of many individuals. Since these services are not normally purchased by the Hospital and because of the difficulty in estimating their fair market value, these services are not recorded in these financial statements.</p>

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# The Royal Victoria Hospital of Barrie Incorporated

## Summary of Significant Accounting Policies

For the year ended March 31, 2011

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<b>Inventories</b>	Inventories are valued at the lower of cost and net realizable value. Cost has been determined for the inventories of stores on the weighted average basis. All other inventories are valued on the first-in, first-out basis.												
<b>Capital assets</b>	<p>Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Betterments which extend the estimated life of an asset are capitalized. When an asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value. Amortization based on the estimated useful life of the asset is calculated as follows:</p> <table><tr><td>Buildings</td><td>- 40 or 50 years</td></tr><tr><td>Building components</td><td>- 5 to 20 years</td></tr><tr><td>Building service equipment</td><td>- 5 to 20 years</td></tr><tr><td>Equipment</td><td>- 3 to 20 years</td></tr><tr><td>Equipment under capital leases</td><td>- 5 to 20 years</td></tr><tr><td>Land and parking lot improvements</td><td>- 5 to 20 years</td></tr></table>	Buildings	- 40 or 50 years	Building components	- 5 to 20 years	Building service equipment	- 5 to 20 years	Equipment	- 3 to 20 years	Equipment under capital leases	- 5 to 20 years	Land and parking lot improvements	- 5 to 20 years
Buildings	- 40 or 50 years												
Building components	- 5 to 20 years												
Building service equipment	- 5 to 20 years												
Equipment	- 3 to 20 years												
Equipment under capital leases	- 5 to 20 years												
Land and parking lot improvements	- 5 to 20 years												
<b>Use of Estimates</b>	The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates in the preparation of these financial statements are the allowance for doubtful accounts, the useful life of capital assets, payroll related accruals, the amount of employee post-retirement benefits, project construction costs in process and the fair values of financial instruments. Actual results could differ from management's best estimates as additional information becomes available in the future.												
<b>Investment in Joint Venture</b>	The Hospital owns 50% of the common shares of Royal Pro Health Inc. The Hospital has appointed 50% of the members of the joint venture's Board of Directors and as a result, has joint control over the strategic operating, investing and financing policies of the corporation. The remaining 50% interest is held by an unrelated party. See note 13(c).												

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# The Royal Victoria Hospital of Barrie Incorporated

## Summary of Significant Accounting Policies

For the year ended March 31, 2011

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### Employee Post-retirement Benefits

The Hospital accrues its obligations under employee benefit plans and the related costs.

The cost of pensions and other future benefits is determined actuarially using the projected benefit method pro-rated on service and management's best estimate of expected salary escalation, retirement ages of employees and health-care costs.

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

The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date of high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

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.

Actuarial gains or losses and adjustments arising from changes in estimates are recorded in the statement of operations in the year of determination. (see note 11)

The Hospital applies defined contribution accounting to its multi-employer defined benefit plan for which the Hospital has insufficient information to apply defined benefit plan accounting. (see note 10)

### Impairment of Long Lived Assets

Assets are tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be fully recoverable. The Hospital monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Hospital's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset.

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# The Royal Victoria Hospital of Barrie Incorporated

## Summary of Significant Accounting Policies

For the year ended March 31, 2011

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### Financial Instruments

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

#### **Assets or liabilities held-for-trading**

Financial instruments classified as assets or liabilities held for trading are reported at fair value at each balance sheet date and any change in fair value is recognized in the statement of operations in the period the change occurs. Transaction costs are expensed as incurred.

The Hospital has classified its cash as held for trading.

#### **Loans and receivables and other financial liabilities**

Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method. Interest income or expense is included in the statement of operations over the expected life of the instrument.

Transaction costs are expensed when incurred.

The Hospital has classified its accounts and grants receivable and amounts due from Ministry of Health and Long-Term Care/Local Health Integration Network, Cancer Care Ontario and The Royal Victoria Hospital of Barrie Foundation as loans and receivables.

The Hospital has classified its accounts payable and accrued charges, amounts due to Ministry of Health and Long-Term Care/Local Health Integration Network and Cancer Care Ontario, obligations under capital leases and project construction obligation as other financial liabilities.

#### **Held-to-maturity investments**

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Hospital's management has the positive intention and ability to hold to maturity and comprises certain investments in debt securities. These assets are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to held-to-maturity investments are included in the amount initially recognized.

The Hospital has classified its short-term investment as held-to-maturity.

All transactions related to financial instruments are recorded on a settlement date basis.

# The Royal Victoria Hospital of Barrie Incorporated

## Notes to the Financial Statements

(tabular amounts in thousands of dollars)

**For the year ended March 31, 2011**

### 1. Cash and Short-Term Investment

The Hospital's bank accounts are held at a chartered bank. The operating bank accounts earn interest at prime less 1.90% calculated on the daily balances up to \$25,000,000. In addition, cash and short-term investment includes a guaranteed investment certificate with a face value of \$5,550 (2010 - \$5,549) which bears interest at 0.5% (2010 - 0.001%) and matures on July 27, 2011 (2010 - July 27, 2010).

### 2. Capital Assets

	2011		2010	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 2,190	\$ -	\$ 2,190	\$ -
Buildings and building components	54,768	18,111	54,327	16,760
Building service equipment	35,190	23,992	35,190	22,232
Equipment	93,079	75,562	87,779	72,051
Equipment under capital leases	1,049	572	1,135	465
Land and parking lot improvements	5,613	4,424	5,613	3,997
	<b>\$ 191,889</b>	<b>\$ 122,661</b>	<b>\$ 186,234</b>	<b>\$ 115,505</b>
Net book value		<b>\$ 69,228</b>		<b>\$ 70,729</b>

Equipment in the amount of \$66,925 (2010 - \$78,318) included in the above amounts have not been put into use as of March 31, 2011. Accordingly, no amortization has been recorded on this equipment.

During the year, the Hospital acquired capital assets at an aggregate cost of \$5,595,296 (2010 - \$5,911,177), all of which were paid for with cash.

Amortization relating to equipment under capital leases for the year is \$139,504 (2010 - \$150,303) which is included in amortization of equipment reported in the statement of operations.

### 3. Bank Indebtedness

The Hospital has a revolving line of credit with the Bank of Montreal to a maximum authorized amount of \$15,000,000, which was undrawn as at March 31, 2011. Interest is charged on the amount drawn at the bank's prime rate. The line of credit is unsecured.

# The Royal Victoria Hospital of Barrie Incorporated

## Notes to the Financial Statements

(tabular amounts in thousands of dollars)

**For the year ended March 31, 2011**

#### 4. Obligations Under Capital Leases

The Hospital has entered into various long-term capital leases for equipment for various terms up to the fiscal year 2018. Interest rates range from 5.76% to 6.89%.

The following is a schedule of minimum lease payments required for the next five fiscal years and thereafter under the terms of the various capital leases (in thousands of dollars).

2012	\$	168
2013		155
2014		69
2015		69
2016		69
Thereafter		105
		635
Less imputed interest		86
		549
Less current portion		138
		\$ 411

These obligations under capital leases are secured by the specific leased equipment. During the year interest of \$39,176 (2010 - \$50,056) was charged to the statement of operations related to these leases.

#### 5. Deferred Capital Contributions Related to Capital Assets

	2011	2010
Balance, beginning of year	\$ 52,051	\$ 56,211
Additional contributions	591	622
Amounts amortized to revenue	(3,676)	(4,583)
Amounts credited to operations	(16)	(199)
Balance, end of year	\$ 48,950	\$ 52,051

Deferred capital contributions related to capital assets represent the amount of donations and grants received for the purchase of capital assets. These contributions are amortized, and recorded as revenue in the statement of operations, on the same basis as the amortization of the related asset.

# The Royal Victoria Hospital of Barrie Incorporated

## Notes to the Financial Statements

(tabular amounts in thousands of dollars)

**For the year ended March 31, 2011**

### 6. Investment in Capital Assets

	2011	2010
(a) Investment in capital assets is calculated as follows:		
Capital assets	\$ 69,228	\$ 70,729
Phase 1 Capital Expansion Project	214,798	107,607
Amounts financed by restricted contributions:		
Deferred capital contributions		
- related to capital assets	(48,950)	(52,051)
- related to Phase 1 Capital Expansion Project	(78,502)	(35,586)
Obligations under capital leases	(549)	(722)
Phase 1 Capital Expansion Project obligation	(173,127)	(75,543)
Working capital invested in Phase 1 Capital Expansion Project	36,831	3,522
	\$ 19,729	\$ 17,956
(b) Change in net assets invested in capital assets is calculated as follows:		
Excess of expenses over revenues:		
Amortization of deferred contributions related to capital assets	\$ 3,676	\$ 4,583
Amortization of capital assets	(7,872)	(8,302)
Gain (loss) on disposal of capital assets	71	(18)
	\$ (4,125)	\$ (3,737)
Net change in investment in capital assets:		
Additions to capital assets	\$ 5,595	\$ 5,909
Additions to Phase 1 Capital Expansion Project	108,176	79,792
Increase in Phase 1 Capital Expansion Project obligation	(97,584)	(75,543)
Increase in deferred capital contributions		
- related to capital assets	(591)	(622)
- related to Phase 1 Capital Expansion Project	(42,916)	(800)
Deferred contributions recognized as revenue	16	199
Decrease in obligations under capital leases	173	163
Proceeds on disposal of capital assets	(280)	-
Change in working capital investment	33,309	(3,449)
	\$ 5,898	\$ 5,649

# The Royal Victoria Hospital of Barrie Incorporated

## Notes to the Financial Statements

(tabular amounts in thousands of dollars)

**For the year ended March 31, 2011**

### 7. Net Change in Non-Cash Working Capital Balances

	2011	2010
Amounts due from:		
Ministry of Health and Long-Term Care/Local Health		
Integration Network	\$ (577)	\$ (1)
Cancer Care Ontario	(252)	(297)
The Royal Victoria Hospital of Barrie Foundation	(701)	231
Accounts receivable	(1,629)	(510)
Grants receivable	500	(500)
Inventories	794	(347)
Prepaid expenses	(523)	(330)
Accounts payable and accrued charges	8,367	1,361
Amounts due to:		
Ministry of Health and Long-Term Care/Local Health		
Integration Network	721	(329)
Cancer Care Ontario	47	101
	\$ 6,747	\$ (621)

Decreases in assets and increases in liabilities result in a source of funds. Increases in assets and decreases in liabilities result in a use of funds and are indicated by brackets.

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## The Royal Victoria Hospital of Barrie Incorporated

### Notes to the Financial Statements

(tabular amounts in thousands of dollars)

**For the year ended March 31, 2011**

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#### 8. Specifically Funded Programs

The Hospital administers a number of programs which are specifically funded by the Ministry of Health and Long-Term Care. The revenues and expenses related to these programs are recorded separately from the base funding operations of the Hospital and any excess or deficiency of revenues over expenses is settled with the Ministry on an annual basis. As at March 31, 2011, the Hospital has included in accounts payable an amount of \$515,754 (2010 - \$517,762) as due to the Ministry and has included in accounts receivable an amount of \$24,189 (2010 - \$100,235) as due from the Ministry related to these programs.

Included in specifically funded programs are revenues and expenses for the Diabetes Education Program in the amount of \$143,563 (2010 - \$139,806) and revenues and expenses for the Community Mental Health and Addictions Program in the amount of \$3,504,666 (2010 - \$3,414,379).

Included in specifically funded programs is revenue from the County of Simcoe of \$635,052 (2010 - \$520,052) and related expenses of \$635,052 (2010 - \$520,052)

In addition, included in specifically funded programs are the following revenues and expenses related to the Children's Speech and Language Program funded by the Ministry of Community and Social Services ("MCSS").

	2011	2010
Revenue:		
Funding from the MCSS	\$ 219	\$ 219
Expenses:		
Salaries and benefits	192	192
Other service costs	15	15
Allocated central administration	12	12
	219	219
	\$ -	\$ -

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#### 9. Contingencies

During the normal course of operations, various proceedings and claims are filed against the Hospital. The Hospital reviews the validity of these claims and proceedings and management believes any settlement would be adequately covered by its insurance policies and would not have a material effect on the financial position or future results of operations of the Hospital.

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# The Royal Victoria Hospital of Barrie Incorporated

## Notes to the Financial Statements

(tabular amounts in thousands of dollars)

For the year ended March 31, 2011

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### 10. Pension Plan

All full-time and certain part-time employees of the Hospital are members of the Healthcare of Ontario Pension Plan which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, that provide the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Healthcare of Ontario Pension Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the percentage of salary contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. Each year an independent actuary determines the funding status of the Plan by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan as at December 31, 2010 indicates the Plan is 100% funded. The results of this valuation disclosed total actuarial liabilities of \$34,897 million in respect of benefits accrued for service with actuarial net assets of \$35,073 million indicating an actuarial surplus of \$176 million. Because the plan is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario Hospital Association members and their employees. As a result, the Hospital does not recognize any share of the Plan surplus or deficit.

Employer contributions made to the Plan during the year by the Hospital amounted to \$9,012,502 (2010 - \$8,683,575), of which \$8,694,395 (2010 - \$8,364,652) is included in salaries, wages and benefits expenses and \$318,107 (2010 - \$336,923) is included in specifically funded programs expenses in the statement of operations.

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# The Royal Victoria Hospital of Barrie Incorporated

## Notes to the Financial Statements

(tabular amounts in thousands of dollars)

For the year ended March 31, 2011

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### 11. Employee Post-retirement Benefits

The Hospital records estimated liabilities for accrued employee benefits in the year they are earned.

The Hospital provides post-retirement extended healthcare and dental benefits to full-time members of the SEIU and post-retirement life insurance benefits to all employees. ONA and non-union employees have the extended healthcare and dental benefits available to them at their cost upon retirement. All of these benefits end at the earlier of the member's death or at age 65. At March 31, 2011, the Hospital's accrued benefit liability relating to post-retirement benefit plans is \$3,387,500 (2010 - \$3,009,900) of which \$179,900 (2010 - \$169,400) is due in the next fiscal year and is included in accounts payable and accrued charges. These amounts have been determined from the most recent actuarial valuation as at March 31, 2009.

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

Discount rate	-	5.25%	(2010 - 5.75%) per annum
Dental benefits cost escalation	-	4.00%	(2010 - 4.00%) per annum
Extended healthcare cost escalation	-	9.00%	(2010 - 9.00%) decreasing by 0.50% per annum to an ultimate rate of 5.00% per annum

Included in salaries, wages and benefits in the statement of operations is an amount of \$488,615 (2010 - \$820,012) regarding accrued future benefits.

# The Royal Victoria Hospital of Barrie Incorporated

## Notes to the Financial Statements

(tabular amounts in thousands of dollars)

**For the year ended March 31, 2011**

### 11. Employee Post-retirement Benefits (continued)

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

	2011	2010
Accrued benefit liability - beginning of year	\$ 3,010	\$ 2,304
Expense	489	820
Funding contributions	(111)	(114)
	3,388	3,010
Less current portion included in accounts payable and accrued charges	(180)	(169)
Accrued benefit liability - end of year	\$ 3,208	\$ 2,841

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

	2011	2010
Accrual for services	\$ 155	\$ 106
Interest on accrued benefits	180	185
Actuarial losses during the period	142	517
Adjustment for prior service cost	12	12
Accrued benefit liability - end of year	\$ 489	\$ 820

c) Post-employment benefit liability:

	2011	2010
Accrued benefit obligation	\$ 3,423	\$ 3,057
Less: unamortized losses		
Experience losses	-	-
Past service costs	(35)	(47)
Accrued benefit liability - end of year	\$ 3,388	\$ 3,010

# The Royal Victoria Hospital of Barrie Incorporated

## Notes to the Financial Statements

(tabular amounts in thousands of dollars)

**For the year ended March 31, 2011**

### 12. Internally Restricted Reserve Funds

Part of the Hospital's net assets have been set aside for restricted use as approved by the Board of Directors as follows:

	2011	2010
<b>Special Purpose Fund</b>		
Balance, beginning of year	\$ 1,159	\$ 1,050
Transferred from unrestricted net assets	151	109
	1,310	1,159
<b>Special Reserve Fund</b>		
Balance, beginning of year	2,363	1,723
Transferred from unrestricted net assets	625	640
	2,988	2,363
<b>Re-investment Reserve Fund</b>		
Balance, beginning of year	141	141
Transferred from unrestricted net assets	-	-
	141	141
<b>Roof Replacement Reserve Fund</b>		
Balance, beginning of year	518	518
Transferred from unrestricted net assets	-	-
	518	518
<b>Total Internally Restricted Reserve Funds, end of year</b>	<b>\$ 4,957</b>	<b>\$ 4,181</b>

The purpose of the Special Purpose Fund is to accumulate net revenues, before amortization, generated by real estate assets not used in the day to day operations of the Hospital.

The purpose of the Special Reserve Fund is to accumulate net revenues generated by the Hospital's investment in Royal Pro Health Inc. (see note 13 (c))

The purpose of the Re-investment Reserve Fund is to accumulate net revenues not used in the current operations of the Hospital for future operating purposes.

The purpose of the Roof Replacement Reserve Fund is to accumulate net revenues to assist with the expected future costs associated with the replacement of the existing roof.

# The Royal Victoria Hospital of Barrie Incorporated

## Notes to the Financial Statements

(tabular amounts in thousands of dollars)

**For the year ended March 31, 2011**

### 13. Related Entities

#### (a) The Royal Victoria Hospital of Barrie Foundation

The Foundation is incorporated without share capital under the Corporations Act (Ontario) and is a public foundation under the Income Tax Act (Canada). The Hospital controls the Foundation which raises funds from the community for the benefit of the Hospital. The Members of the Foundation must elect a majority of its Board of Directors from the Board of Directors of the Hospital. The President of the Hospital is an ex-officio Director of the Foundation.

The Foundation has not been consolidated in the Hospital's financial statements. Financial statements of the Foundation are available upon request. Financial summaries of the Foundation are as follows:

	<b>December 31 2010</b>	<b>December 31 2009</b>
<b>Financial Position</b>		
Total assets	\$ 45,318	\$ 43,478
Total liabilities	\$ 1,465	\$ 1,060
Total net assets	<u>43,853</u>	<u>42,418</u>
	<u>\$ 45,318</u>	<u>\$ 43,478</u>
<b>Results of Operations</b>		
Revenues, including unrealized investment gains	\$ 8,247	\$ 7,818
Expenses, including unrealized investment losses	(2,064)	(912)
Distributions to the Royal Victoria Hospital	<u>(4,748)</u>	<u>(335)</u>
Excess of revenues over expenses	<u>\$ 1,435</u>	<u>\$ 6,571</u>

All of the net assets of the Foundation must be used for the benefit of the Hospital. As at December 31, 2010, an amount of \$28,891,530 (2009 - \$28,653,619) of the Foundation's net assets is subject to restricted use or conditions imposed by donors.

An amount of \$835,597 (2010 - \$135,323) is due from the Foundation as a result of the transactions described in (i) and (ii) below.

- (i) An amount of \$463,800 (2010 - \$135,323) due from the Foundation has resulted from:
- a) the Hospital paying for operating expenses of the Foundation on its behalf in excess of amounts reimbursed; and
  - b) the Hospital paying parking expenses of the Foundation on its behalf in excess of amounts reimbursed under various contractual agreements entered into by both parties which extend to June 30, 2020. The balance owing to the Hospital at year end is due on demand and bears no interest.

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**The Royal Victoria Hospital of Barrie Incorporated**  
**Notes to the Financial Statements**  
(tabular amounts in thousands of dollars)

**For the year ended March 31, 2011**

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**13. Related Entities (continued)**

- (ii) An amount of \$371,797 (2010 - \$NIL) is due from the Foundation as a result of a pledge agreement entered into by both parties which extends to June 30, 2020, all of which has been included in deferred capital contributions related to capital assets as described in (iii) below. The balance owing to the Hospital at year end will be paid within one year and bears no interest.

Related party transactions during the year not separately disclosed in the financial statements include the following:

- (iii) The Hospital received \$4,757,938 (2010 - \$101,928) from the Foundation for the purchase of capital assets, \$557,938 (2010 - \$53,687) of which was recorded as deferred capital contributions related to capital assets and \$4,200,000 (2010 - \$NIL) of which was recorded as deferred contributions related to the Phase 1 Capital Expansion Project.
- (iv) The Hospital received \$43,597 (2010 - \$NIL) from the Foundation for educational purposes and for the purchase of small equipment which has been included in other revenue in the statement of operations.
- (v) In addition to the amounts described in (ii) above, the Hospital received \$1,911,059 from the Foundation relating to various contractual agreements entered into by both parties which extend to June 30, 2020, all of which has been included in other revenue in the statement of operations.

# The Royal Victoria Hospital of Barrie Incorporated

## Notes to the Financial Statements

(tabular amounts in thousands of dollars)

**For the year ended March 31, 2011**

### 13. Related Entities (continued)

#### (b) Royal Victoria Hospital Auxiliary Inc.

The Auxiliary is a volunteer organization incorporated without share capital under the Corporations Act (Ontario) and is a registered charity under the Income Tax Act (Canada). Under its objects of incorporation the stated purpose of the corporation is to support and assist The Royal Victoria Hospital of Barrie and its staff and The Royal Victoria Hospital of Barrie Foundation in providing the best level of patient care in The Royal Victoria Hospital in Barrie, Ontario through support services. The Auxiliary is managed by a Board of Directors elected by the members. A representative from the senior administration of the Hospital and the Director of Volunteer Resources of the Hospital are ex-officio members of the Board of Directors. The President of the Auxiliary is an ex-officio member of the Board of Directors of the Hospital.

Financial statements of the Auxiliary have not been consolidated in the Hospital's financial statements. Financial summaries of the Auxiliary are as follows:

	<u>January 31</u>	<u>January 31</u>
	<u>2011</u>	<u>2010</u>
<b>Financial Position</b>		
Total assets	\$ 1,599	\$ 1,458
Total liabilities	\$ 60	\$ 50
Total net assets	<u>1,539</u>	<u>1,408</u>
	<u>\$ 1,599</u>	<u>\$ 1,458</u>
<b>Results of Operations</b>		
Total revenues	\$ 640	\$ 780
Expenses	<u>(390)</u>	<u>(367)</u>
Excess of revenues over expenses before donation expenses	250	413
Donation expenses	<u>(119)</u>	<u>(50)</u>
	<u>\$ 131</u>	<u>\$ 363</u>
<b>Cash Flows</b>		
Operating activities	\$ 188	\$ 280
Financing and investing activities	<u>(169)</u>	<u>(349)</u>
Net increase (decrease) in cash	<u>\$ 19</u>	<u>\$ (69)</u>

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**The Royal Victoria Hospital of Barrie Incorporated**  
**Notes to the Financial Statements**  
(tabular amounts in thousands of dollars)

**For the year ended March 31, 2011**

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**13. Related Entities (continued)**

Related party transactions during the year not separately disclosed in the financial statements include the following:

- (i) An amount of \$49,602 (2010 - \$66,233) due from the Auxiliary is included in accounts receivable and has resulted from the Hospital paying for expenses of the Auxiliary on its behalf in excess of amounts reimbursed. The balance owing to the Hospital at the year end is due on demand and bears no interest.
  
- (ii) An amount of \$33,276 (2010 - \$39,207) has been received from the Auxiliary during the year and recorded as deferred capital contributions related to capital assets.

# The Royal Victoria Hospital of Barrie Incorporated

## Notes to the Financial Statements

(tabular amounts in thousands of dollars)

**For the year ended March 31, 2011**

### 13. Related Entities (continued)

#### (c) Investment in Joint Venture

The Hospital has a 50% interest in a profit oriented joint venture - Royal Pro Health Inc., which is primarily engaged in providing home respiratory care services and products.

The following represents the Hospital's 50% share of the joint venture's assets, liabilities and results of operations.

	<b>March 31</b>	<b>March 31</b>
	<b>2011</b>	<b>2010</b>
<b>Financial Position</b>		
Total assets	\$ 761	\$ 819
Total liabilities	\$ 291	\$ 393
Total shareholders' equity	470	426
	<b>\$ 761</b>	<b>\$ 819</b>
<b>Results of Operations</b>		
Total revenues	\$ 1,779	\$ 1,628
Total expenses	(1,462)	(1,355)
Excess of revenues over expenses	\$ 317	\$ 273
<b>Cash Flows</b>		
Operating activities	\$ 243	\$ 381
Financing and investing activities	(337)	(301)
Net increase (decrease) in cash	\$ (94)	\$ 80

The amount of \$160,706 reported on the statement of financial position as the Hospital's investment in the joint venture represents the Hospital's share of the retained earnings of the joint venture.

As at March 31, 2011, an amount of \$310,000 (2010 - \$575,000), representing the Hospital's management fees for the year, is due from the joint venture and has been included in accounts receivable and reported as other revenue in the statement of operations.

In addition, an amount of \$240,000 (2010 - \$NIL), representing a donation from the joint venture for the year ended March 31, 2011, has been included in accounts receivable and reported as other revenue in the statement of operations.

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**The Royal Victoria Hospital of Barrie Incorporated**  
**Notes to the Financial Statements**  
(tabular amounts in thousands of dollars)

**For the year ended March 31, 2011**

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**14. Ministry of Health and Long-Term Care/Physician Agreements**

**Alternative Funding Agreement**

The Hospital has an agreement with the Emergency Doctors and the Ministry of Health and Long-Term Care for alternative funding for emergency services. The revenues and expenses included in the statement of operations are as follows:

	2011	2010
Funding from the MOHLTC	\$ 5,778	\$ 5,172
Other revenue	132	122
	5,910	5,294
Payments to physicians	5,860	5,244
Physician administration	50	50
Clerical costs	-	9
	5,910	5,303
Total expenses		
Hospital's Contribution to Agreement	\$ -	\$ 9

**Physician on Call Coverage**

The Hospital has an agreement with the Ministry of Health and Long-Term Care for Physician on Call Coverage. The revenues and expenses included in the statement of operations are as follows:

	2011	2010
Funding from the MOHLTC - current year	\$ 2,854	\$ 2,852
Funding from the MOHLTC - adjustment to prior year	-	8
	2,854	2,860
Payments to physicians	2,854	2,860
	2,854	2,860
Hospital's Contribution to Agreement	\$ -	\$ -

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**15. Comparative Amounts**

Certain figures of the prior year have been restated to conform to the current year's presentation.

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# The Royal Victoria Hospital of Barrie Incorporated

## Notes to the Financial Statements

(tabular amounts in thousands of dollars)

For the year ended March 31, 2011

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### 16. Financial Instruments

#### a) Fair Value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or asking prices as appropriate, in the most advantageous active market for that instrument to which the Hospital has immediate access.

The Hospital's financial instruments are comprised of cash and short-term investment, accounts and grants receivable, amounts due from The Royal Victoria Hospital of Barrie Foundation and Royal Victoria Hospital Auxiliary Inc., accounts payable and accrued charges, amounts due to and from the Ministry of Health and Long-Term Care/Local Health Integration Network and Cancer Care Ontario and project construction obligations. Unless otherwise noted, it is management's opinion that the Hospital is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The carrying value of cash and short-term investment, accounts and grants receivable, accounts payable and accrued charges and amounts due to and from the Ministry of Health and Long-Term Care/Local Health Integration Network and Cancer Care Ontario and project construction obligations approximates their fair value due to their short-term nature.

The fair value of the amounts due from The Royal Victoria Hospital of Barrie Foundation and Royal Victoria Hospital Auxiliary Inc. are not practical to determine. The Hospital has no plans to dispose of these financial instruments to a third party and plans to settle them in the ordinary course of operations. No quoted market price exists for these instruments because they are not traded in an active or liquid market and, accordingly, the fair value is not readily determinable.

#### b) Risks arising from financial instruments

##### i) Credit Risk

The Hospital's cash and short-term investment are both held at major institutions. The Hospital's accounts receivable is made up of a large number of small balances from its patients and various government agencies.

##### ii) Interest Rate Risk

The Hospital manages its short-term investment based on its cash flow needs and with a view to optimizing its interest income. See note 1 for details on the interest rate and maturity date of its short-term investment.

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# The Royal Victoria Hospital of Barrie Incorporated

## Notes to the Financial Statements

(tabular amounts in thousands of dollars)

**For the year ended March 31, 2011**

### 17. Phase 1 Capital Expansion Project

During the fiscal year ended March 31, 2010, the Hospital commenced construction of the Phase 1 Capital Expansion Project. The total cost of the project, including services, furnishings and equipment is estimated at \$450 million. As at March 31, 2011, Phase 1 is approximately 73% complete.

The Ministry of Health and Long-Term Care ("Ministry") and the Hospital will share in these costs. The Ministry's share is \$305 million. The remaining local Hospital share will be funded through municipal contributions and donations from The Royal Victoria Hospital of Barrie Foundation.

The Hospital has entered into an agreement with Vanmed Construction Corporation through the Ontario Infrastructure Projects Corporation, to build and finance the building construction costs in the amount of \$258.5 million. In accordance with the agreement, upon completion of the first phase in the fall of 2011, the Hospital will make a payment in the amount of \$199.8 million and the balance will become payable when construction is completed in the spring of 2013.

The balance of the project costs in the amount of \$191.5 million is a combination of design and other services, furnishings and equipment and other ancillary costs, of which \$44.7 million have been incurred to date (2010 - \$32.1 million).

The details of the amounts reported on the statement of financial position related to the project are as follows:

	2011	2010
Project construction costs in process	\$ 173,127	\$ 75,543
Design and other services, furnishings and equipment	41,671	32,064
	\$ 214,798	\$ 107,607

Not included in the above cost of Hospital equipment is certain equipment that is provided by Cancer Care Ontario (CCO). The Hospital is a host hospital for CCO and as such CCO's equipment is located on the Hospital's premises and is utilized to provide patient care. The Hospital is responsible for costs to maintain, operate and insure this equipment owned by CCO.

During the year, the Hospital incurred construction costs and acquired equipment for the project at an aggregate cost of \$108,175,641 (2010 - \$79,792,150), of which \$97,583,960 (2010 - \$75,542,918) were acquired by means of deferred capital contributions and an increase in the project construction obligation with the remaining \$10,591,682 (2010 - \$4,249,233) paid for with cash.

Project construction obligation	\$ 173,127	\$ 75,543
Less current portion payable within one year	(155,814)	-
	17,313	75,543
Project construction obligation - long-term	78,502	35,586
Deferred capital contributions (see below)	\$ 95,815	\$ 111,129

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# The Royal Victoria Hospital of Barrie Incorporated

## Notes to the Financial Statements

(tabular amounts in thousands of dollars)

For the year ended March 31, 2011

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### 17. Phase 1 Capital Expansion Project (continued)

Deferred capital contributions			
Balance, beginning of year	\$	35,586	\$ 34,786
Additional contributions		42,916	800
		<hr/>	<hr/>
Balance, end of year	\$	78,502	\$ 35,586

Deferred capital contributions represent the amount of donations and grants received for the financing of the project. Commencing in the year the project is completed, these contributions will be amortized and recorded as revenue in the statement of operations on the same basis as the related costs.

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### 18. Commitment

The Hospital has entered into an agreement with Telus Sourcing Solutions Inc. to provide human resource management and payroll processing services for a term of fifteen years ending fiscal year 2025. In accordance with the terms of this agreement, the Hospital will make monthly payments based on an initial fee of \$575 per year per employee at a base level of 2,200 employees. For each additional employee above this base level, the fee is \$537 per employee.

The following is a schedule of payments required for the base level of employees for the next five fiscal years and thereafter under the terms of the agreement (in thousands of dollars).

2012	\$	1,265
2013		1,265
2014		1,265
2015		1,265
2016		1,265
Thereafter		10,120

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# The Royal Victoria Hospital of Barrie Incorporated

## Notes to the Financial Statements

(tabular amounts in thousands of dollars)

For the year ended March 31, 2011

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### 19. Central Ontario Healthcare Procurement Alliance ("COHPA")

Effective March 26, 2008, the Hospital entered into an agreement with COHPA, a non-profit corporation, the members of which consist of six hospitals, including The Royal Victoria Hospital of Barrie Incorporated.

COHPA's primary responsibility is to provide procurement, materials management and accounts payable services to its members on a cost-recovery basis. The objective is to provide these services at a lower cost as compared to the members' costs prior to entering into the agreement. Based on the agreement, COHPA has the right to charge membership fees to its members. A process is established in the agreement for COHPA to obtain the approval of the members to charge additional fees.

As at March 31, 2011, in accordance with the terms of the agreement, the Hospital has included \$455,640 (2010 - \$368,000) in accounts payable, representing its approximate 15% share of the start up costs of COHPA. During the year COHPA charged membership fees to the Hospital in the amount of \$535,485 (2010 - \$441,723), of which \$NIL (2010 - \$147,241) is included in accounts payable as at March 31, 2011.

In addition, the Hospital has provided proportionate guarantees of \$494,648 on COHPA's \$3,212,000 credit facility and \$92,457 on COHPA's \$600,369 lease obligation. As at March 31, 2011, the outstanding balances on these items were \$2,944,333 and \$201,410 respectively.

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### 20. Ministry Funding/Economic Dependence

The Hospital received 76% (2010 - 77%) of its revenue from the Ontario Ministry of Health and Long-Term Care/North Simcoe Muskoka Local Health Integration Network.

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### 21. Capital

The Hospital considers its capital to be its total restricted and unrestricted net assets. Its restricted net assets consist of amounts invested in capital assets and amounts internally restricted for specific purposes. The Hospital receives externally restricted subsidies from the Ministry of Health and Long-Term Care for the delivery of specific programs. These funds are maintained and disbursed under the terms of the relevant funding restrictions and management is responsible for adhering to the provisions of these agreements.

In managing its capital, the Hospital's primary objective is to safeguard its ability to continue as a going concern so it can continue to provide services to the residents of Simcoe County and to allow for future expansion.

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