

The Ross Memorial Hospital

Financial Statements

For the year ended March 31, 2009

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Auditors' Report

To the Members of
The Ross Memorial Hospital

We have audited the balance sheet of The Ross Memorial 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 cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants, Licensed Public Accountants
Lindsay, Ontario

May 22, 2009

The Ross Memorial Hospital Balance Sheet

March 31 **2009** **2008**

Assets

Current assets

Cash and short-term deposits (Note 2)	\$ -		\$ 4,372,323
Accounts receivable (Note 3)	1,942,704		1,915,297
Inventories	674,429		692,400
Prepaid expenses	908,449		796,722
	3,525,582		7,776,742

Property, plant and equipment (Note 4)	64,806,880		61,760,923
	\$ 68,332,462		\$ 69,537,665

Liabilities, Deferred Contribution and Net Assets

Current liabilities

Bank indebtedness (Note 2)	\$ 3,323		\$ -
Accounts payable and accrued liabilities	8,736,840		8,998,396
Current portion of long-term debt (Note 11)	63,866		135,400
Deferred income	500,065		593,807
Deferred grants and donations	-		2,342,900
	9,304,094		12,070,503

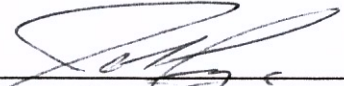
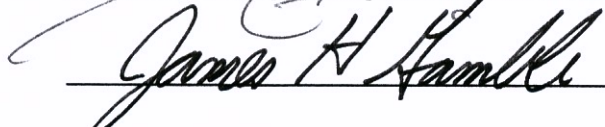
Employee future benefits (Note 7)	2,504,100		2,360,100
Deferred capital contributions (Note 5)	46,969,640		43,906,150
Long-term debt (Note 11)	58,870		122,736
	58,836,704		58,459,489

Contingencies and Commitments (Note 10)

Net assets

Invested in property, plant and equipment (Note 6)	17,837,240		17,854,773
Remaining net assets	(8,341,482)		(6,776,597)
	9,495,758		11,078,176
	\$ 68,332,462		\$ 69,537,665

Approved by the Board of Governors

 <hr style="border: 0; border-top: 1px solid black;"/>	Chairperson
 <hr style="border: 0; border-top: 1px solid black;"/>	Treasurer

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

The Ross Memorial Hospital Statement of Changes in Net Assets

For the year ended March 31			2009	2008
	Invested in Property, Plant and Equipment	Remaining Net Assets	Total	Total
Balance , beginning of year				
- as previously reported	\$ 16,025,922	\$ (6,776,597)	\$ 9,249,325	\$ 10,059,143
- Correction of prior period errors (Note 1)	1,828,851	-	1,828,851	1,147,491
Beginning balance, restated	17,854,773	(6,776,597)	11,078,176	11,206,634
Surplus (deficiency)				
- as previously reported	(913,759)	(668,659)	(1,582,418)	(809,818)
- Correction of prior period errors (Note 1)	-	-	-	681,360
Surplus (deficiency), restated (Note 6)	(913,759)	(668,659)	(1,582,418)	(128,458)
Net change in investment in property, plant and equipment (Note 6)	896,226	(896,226)	-	-
Balance , end of year	\$ 17,837,240	\$ (8,341,482)	\$ 9,495,758	\$ 11,078,176

The Ross Memorial Hospital Statement of Operations

For the year ended March 31	2009	2008
Revenues		
Ministry of Health	\$ 62,097,749	\$ 60,328,745
Patient revenues	7,667,697	7,022,438
Differential preferred accommodation	1,332,758	1,196,865
Chronic care co-payment	505,653	360,202
Other operating revenue	5,016,320	4,431,015
Amortization of deferred contributions related to property, plant and equipment	3,185,209	3,152,292
	79,805,386	76,491,557
Expenses		
Salary, wages and other remuneration	50,556,509	47,702,521
Employee benefits	10,559,850	10,708,500
Supplies and other expenses	10,577,207	10,302,646
Medical and surgical supplies	3,538,512	3,267,758
Drugs	1,963,346	2,146,625
Bad debts	93,412	21,838
Equipment amortization	2,488,726	2,589,519
Building amortization	1,610,242	1,480,608
	81,387,804	78,220,015
Surplus (deficiency)	(1,582,418)	(1,728,458)
Ministry of Health recoverable PCOP funding	-	1,600,000
Net surplus (deficiency)	\$ (1,582,418)	\$ (128,458)

The Ross Memorial Hospital Statement of Cash Flows

For the year ended March 31

2009

2008

Cash provided by (used in)

Operating activities

Net surplus (deficiency)	\$ (1,582,418)	\$ (128,458)
Items not involving cash		
Equipment amortization	2,488,726	2,589,519
Building amortization	1,610,242	1,480,608
Amortization of deferred contributions related to property, plant and equipment	(3,185,209)	(3,152,292)
Employee future benefits	144,000	163,400
	(524,659)	952,777
Changes in non-cash working capital balances		
Accounts receivable	(27,407)	(680,411)
Inventory	17,971	48,548
Prepaid expenses	(111,727)	(188,500)
Accounts payable and accrued liabilities	(261,556)	(81,551)
Deferred income	(93,742)	(283,355)
Deferred grants and donations	(2,342,900)	2,342,900
	(3,344,020)	2,110,408

Investing activities

Additions to deferred contributions	2,342,900	-
Net additions to property, plant and equipment	(7,144,925)	(4,353,195)
Net proceeds from grants & donations	3,905,799	5,327,217
	(896,226)	974,022

Financing activities

Repayment of long-term debt	(135,400)	(51,957)
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Increase (decrease) in cash	(4,375,646)	3,032,473
Cash, beginning of year	4,372,323	1,339,850
Cash (bank indebtedness), end of year (Note 2)	\$ (3,323)	\$ 4,372,323

The Ross Memorial Hospital

Summary of Significant Accounting Policies

March 31, 2009

Nature of Business	<p>The Hospital is engaged in the provision of various health care services in the City of Kawartha Lakes, Brock Township and parts of Haliburton County. The Hospital is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.</p>
Cash and Short-term Deposits	<p>Cash and short-term deposits consist of cash on hand, bank balances and investments in money market instruments with maturities of three months or less.</p>
Presentation	<p>The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.</p>
Revenue Recognition	<p>The Hospital follows the deferral method of accounting for contributions which include donations and government grants.</p> <p>Under the Health Insurance Act and Regulations thereto, the Facility is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and the Local Health Integration Network(LHIN). 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 relates to a future period, it is deferred and recognized in that subsequent period. Where grant revenues are subject to subsequent adjustment or reconciliation, such adjustments are estimated and recorded as due to/from the Ministry of Health or Local Health Integration Network at the end of the fiscal year. These financial statements reflect agreed arrangements approved by the Ministry and LHIN with respect to the year ended March 31, 2009.</p> <p>Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.</p> <p>Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenditures are recognized. Contributions restricted for the purchase of property, plant and equipment are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related property, plant and equipment.</p> <p>Endowment contributions are recognized as direct increases in endowment net assets as detailed in the Notes to these statements.</p> <p>Restricted investment income is recognized as revenue in the year in which the related expenditures are recognized. Unrestricted investment income is recognized as revenue when earned.</p> <p>Revenue from the Provincial Insurance Plan, preferred accommodation, and marketed services is recognized when the goods are sold or the service is provided.</p>
Contributed Services	<p>A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.</p>

The Ross Memorial Hospital

Summary of Significant Accounting Policies

March 31, 2009

Investments Investments are recorded at cost. Should the market value of investments become lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

Inventories Inventories are valued at the lower of average cost and replacement value.

Property, plant and equipment Purchased property, plant and equipment are recorded at cost. Contributed property, plant and equipment are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Facility's ability to provide services, its carrying amount is written down to its residual value. Any gains or losses on disposal are charged to amortization expense.

Property, plant and equipment are amortized on a straight-line basis using the following annual rates:

Buildings	2% - 6.67%
Building service equipment	5% - 10%
Major equipment	5% - 20%
Computers	20% - 33%

Compensated Absences Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the Hospital's benefit plans for vacation, sick leave and retirement allowances.

Financial Instruments The hospital utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the hospital is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transaction costs related to financial instruments are recorded on a trade date basis.

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

Held-for-trading: This category is comprised of bank accounts net of short-term operating loans. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Loans and receivables: These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or on demand. They arise principally through receivables from patient services and outstanding Ministry funding. They 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 loans and receivables are expensed as incurred.

The Ross Memorial Hospital

Summary of Significant Accounting Policies

March 31, 2009

Financial Instruments Continued

Available-for-sale: Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprises short-term investments. When they have a quoted market price in an active market, they are carried at fair value with changes in fair value recognized in income. When they do not have a quoted market price in an active market, they are carried at cost. Transaction costs related to available-for-sale investments are expensed as incurred.

Other financial liabilities: This includes all financial liabilities other than those classified as held-for-trading and comprises trade payables and accrued liabilities and long term debt. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

Employee Benefit Plans

The Hospital accrues its obligations under employee benefit plans and the related costs, net of plan assets (Note 7). The costs of pensions and other future benefits have been actuarially determined. 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. (Note 8)

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions 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 principle estimates used in the preparation of these financial statements are the determination of the liability for post-retirement benefits, estimated useful life of capital assets, amortization of defined capital contributions, and fair value disclosure. Actual results could differ from management's best estimates, as additional information becomes available in the future.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the hospital, are as follows:

Financial Statement Concepts: CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle. The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The hospital is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

Cash Flow Statements: Section 1540 was amended to include not-for-profit organizations within its scope. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The hospital is currently assessing the impact of the new standard.

The Ross Memorial Hospital

Summary of Significant Accounting Policies

March 31, 2009

New Accounting Pronouncements Continued

Financial instruments – Disclosures and Presentation: CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments – Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The hospital is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

Financial Statement Presentation by Not for Profit Organizations: CICA Section 4400 has been amended for the treatment of net assets invested in capital assets and for the presentation of revenues and expenses. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The hospital is currently assessing the impact of the new standard.

Disclosure of Related Party Transactions by Not for Profit Organizations: CICA Section 4460 has been amended to make the language in Section 4460 consistent with Related Party Transactions, Section 3840. The changes are effective for interim and annual financial statements beginning on or after January 1, 2009. The hospital is currently assessing the impact of the new standard.

Change in Accounting Principles

Capital Disclosures: The hospital has adopted the new requirements of the Canadian Institute of Chartered Accountants in relation to "Capital Disclosures" under section 1535. These standards require an entity to disclose:

- the objectives, policies and processes for identifying and managing its capital;
- the nature of externally imposed capital requirements;
- whether during the period the entity complied with the externally imposed capital requirements and
- the consequences of non-compliance with the capital requirements

The adoption of these new standards has had no impact on the classification of the hospital's financial statements.

The Ross Memorial Hospital Notes to Financial Statements

March 31, 2009

1. Prior Period Correction

In 2003 the hospital adjusted the estimate of the useful life of deferred contributions for equipment in the form of capital donations and capital grants. This change in estimate was made to more accurately match revenues brought into net income with the corresponding amortization rate for the related property, plant and equipment. However, for the past several years, amortization of deferred capital contributions for equipment have been reflected in the financial statements at a rate that is not consistent with this change in estimate, thus constituting an error in the statements from 2003 going forward. The comparative figures for 2008 in these financial statements have been restated to correct these errors. The effect of the restatement on 2008 amounts is summarized below.

	Effect On 2008
Decrease in Deferred Capital Contributions	\$ 1,828,851
Decrease in Opening Surplus	\$ (1,147,491)
Increase in Amortization of Deferred Contributions Related to Property, plant and equipment	\$ 681,360
Increase in Net Surplus for the year	\$ 681,360

Certain comparative amounts have been reclassified to conform to current year presentation.

2. Bank

The hospital is subject to a \$4,000,000 overdraft limit. Interest is charged monthly at a rate of prime minus 0.75% to this limit. Amounts in excess of this agreed upon limit are subject to interest at 21% per annum. The line of credit is secured by a general security agreement.

3. Accounts Receivable

	2009	2008
Ministry of Health and Local Health Integration Network	\$ 60,148	\$ 659,308
Self-pay and other agencies	1,918,559	1,286,272
Less: Allowance for doubtful accounts	36,003	30,283
	\$ 1,942,704	\$ 1,915,297

The Ross Memorial Hospital Notes to Financial Statements

March 31, 2009

4. Property, Plant and Equipment

			2009	2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 3,490,296	\$ -	\$ 3,490,296	\$ 1,614,321
Buildings	68,342,211	15,434,481	52,907,730	48,506,335
Equipment	31,173,099	24,332,634	6,840,465	6,174,714
Parking Lot	1,238,777	523,190	715,587	793,143
	<u>104,244,383</u>	<u>40,290,305</u>	<u>63,954,078</u>	<u>57,088,513</u>
Projects under construction	852,802	-	852,802	4,672,410
	<u>\$105,097,185</u>	<u>\$ 40,290,305</u>	<u>\$ 64,806,880</u>	<u>\$ 61,760,923</u>

5. Deferred Capital Contributions

Deferred capital contributions related to property, plant and equipment represent the unamortized amount of donations and grants received for the purchase of property, plant and equipment. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2009	2008
Balance, beginning of year	\$ 43,906,150	\$ 41,731,225
Additional internal transfer from restricted assets	2,342,900	-
Additional funding received	3,905,799	5,327,217
Less: Amounts amortized to revenue	<u>(3,185,209)</u>	<u>(3,152,292)</u>
	<u>\$ 46,969,640</u>	<u>\$ 43,906,150</u>

6. Investment in Property, Plant and Equipment

- a. Investment in property, plant and equipment is calculated as follows:

	2009	2008
Property, plant and equipment	\$ 64,806,880	\$ 61,760,923
Amounts financed by - deferred contributions	<u>(46,969,640)</u>	<u>(43,906,150)</u>
	<u>\$ 17,837,240</u>	<u>\$ 17,854,773</u>

- b. Change in net assets invested in property, plant and equipment is calculated as follows:

	2009	2008
Surplus (deficiency):		
Amortization of deferred contributions related to property, plant and equipment (Note 5)	\$ 3,185,209	\$ 3,152,292
Amortization of property, plant and equipment	<u>(4,098,968)</u>	<u>(4,070,127)</u>
	<u>\$ (913,759)</u>	<u>\$ (917,835)</u>

Net change in investment in property, plant and equipment:

Purchase of property, plant and equipment	\$ 7,144,925	\$ 4,353,195
Amounts funded by deferred contributions (Note 5)	<u>(6,248,699)</u>	<u>(5,327,217)</u>
	<u>\$ 896,226</u>	<u>\$ (974,022)</u>

The Ross Memorial Hospital Notes to Financial Statements

March 31, 2009

7. Employee Future Benefits

The Hospital sponsors both defined benefit and defined contribution employee future benefit plans covering substantially all employees. The costs of employee future benefits are accrued over the periods in which employees earn the benefits. The plan provides extended health and dental as well as life insurance to employees.

Actuarial valuations for accounting purposes are performed triennially using the projected benefit method prorated on services. The most recent actuarial report was prepared at April 1, 2007. The accrued benefit obligation of \$2,323,300 shown for 2009 is based on an extrapolation of that April 1, 2007 valuation.

	2009	2008
Accrued Benefit Obligation		
Balance, beginning of year	\$ 2,594,200	\$ 2,204,500
Actuarial adjustment	(391,100)	258,500
Current service expense	130,800	138,800
Interest cost	152,000	136,700
Benefits paid during year	(162,600)	(144,300)
Balance, end of year	\$ 2,323,300	\$ 2,594,200

	2009	2008
Post-employment benefit liability		
Accrued benefit obligation	\$ 2,323,300	\$ 2,594,200
Unamortized past service cost	(55,300)	(79,100)
Actuarial gain (loss)	236,100	(155,000)
	\$ 2,504,100	\$ 2,360,100

The unamortized past service cost of \$55,300 is to be amortized on a straight-line basis over the average remaining period to the full eligibility date (10.0 years). Additional past service costs of \$94,000 have been recognized for benefit improvements and the addition of OPSEU employees. The amortization commenced April 2002.

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the hospital's best estimates. The discount rate used to determine the accrued benefit obligation is 5.75%, the dental cost increase is 4.0%, and Extended Health Care increase is 8.5%. The % rate for Extended Health Care is decreasing by 0.5% increments per annum to an ultimate rate of 5%.

Substantially all of the employees of the Hospital are members of the Hospitals of Ontario Pension Plan and the costs of this pension is actuarially determined. (Note 8)

The post-employment benefit expense is reported as a component of current expenditures on the statement of financial activities. Composition of the amount is as follows:

	2009	2008
Current service costs	\$ 130,800	\$ 138,800
Interest on post-employment benefit liability	152,000	136,700
Amortization of past service costs	23,800	23,800
Net actuarial gain amortized in the year	-	8,400
Total expense related to post-employment benefits	\$ 306,600	\$ 307,700
Total pension plan premiums paid by hospital	\$ 3,160,696	\$ 2,968,817

The Ross Memorial Hospital Notes to Financial Statements

March 31, 2009

8. Pension Plan

All full time and certain part-time employees of the hospital are members of the Hospitals of Ontario Pension Plan which is a multi-employer defined benefits 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 the securities are managed by the Hospitals 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 at 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, 2008 indicates the Plan is 97% funded. The results of this valuation disclosed total actuarial liabilities of \$31.25 billion in respect of benefits accrued for service with actuarial assets at that date of \$30.26 billion indicating an actuarial deficit of \$983 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 to the Plan during the year by the hospital amounted to \$ 3,160,696 (2008-\$2,968,817).

The Ross Memorial Hospital Notes to Financial Statements

March 31, 2009

9. Endowments

The hospital has received various endowments for which the use of the funds are restricted. These endowment funds are not included in the financial statements of the hospital. Details are as follows:

	<u>2009</u>	<u>2008</u>
Balance, March 31, 2008	\$ 61,856	\$ 60,783
Investment income earned in the year	979	1,073
Balance, March 31, 2009	<u>\$ 62,835</u>	<u>\$ 61,856</u>

10. Related Party Transactions

The Ross Memorial Hospital is related to the Central Ontario Healthcare Procurement Alliance (COHPA), the Ross Memorial Hospital Foundation and the Ross Memorial Hospital Auxiliary.

The Ross Memorial Hospital is an equity member of COHPA along with five other Ontario hospitals. Ross Memorial Hospital has signed a letter of guarantee on December 22, 2008 in the amount of \$380,000. Ross Memorial Hospital's purchasing and accounts payable functions will be processed by COHPA effective in the summer of 2009.

The Hospital has the ability to appoint three members of the Ross Memorial Hospital Foundation (the "Foundation") Board of Directors. The Foundation was established to raise and manage funds for the benefit of the Hospital. The Foundation is incorporated as a public foundation under the Canada Corporations Act and is a registered charity under the Income Tax Act. Net resources of the Foundation amount to approximately \$5,000,000, of which \$694,000 represents contributions externally restricted, with the balance being available to the hospital for uses consistent with the intent of the donors and the objects of the foundation at the discretion of the Foundation's Board of Directors.

The net assets and results from operations of the Foundation are not included in the statements of the Hospital. Separate financial statements of the Foundation are available upon request.

The Ross Memorial Hospital Auxiliary (the "Auxiliary") provides periodic capital funding to the Hospital through the Hospital Foundation. The Hospital uses these contributions as designated by the Auxiliary.

All transactions with related parties are recorded at the exchange amount.

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

- a. an amount of \$1,905,270 (2008 - \$1,800,176) has been received from the Foundation and recorded as deferred contributions related to property, plant and equipment.
- b. an amount of \$3,612 (2008 - \$17,374) has been received from the Foundation and netted against the related expenditure for which the money was provided.
- c. an amount of \$4,000 (2008 - \$4,000) representing rental charges has been received from the Foundation and recorded with marketed services.

The Ross Memorial Hospital Notes to Financial Statements

March 31, 2009

11. Contingencies and Commitments

Picture Archiving Communications System (PACS) Project

As at March 31, 2009 the hospital has entered into a contract to purchase a PACS system; future payments related to the capital cost of the system total \$1,077,808. This will be paid out over the next seven years as follows:

2010	80,832
2011	80,592
2012	80,863
2013	197,115
2014	204,323
2015	212,681
2016	221,402
	1,077,808

Union Contracts

The Hospital is currently involved in negotiations with one of its unions. The settlement will be determined by an arbitrator. At this time the amount of retroactive compensation is unknown and as such no accrual has been made in these financial statements.

Litigation

The nature of the Hospital's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2009 management believes the hospital has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

12. Long-term Debt

	2009	2008
Obligation payable to City of Kawartha Lakes, due March 2012	\$ 122,736	\$ 258,136
Less current portion	63,866	135,400
	\$ 58,870	\$ 122,736

The long-term debt has the following principal repayments:

2010	\$ 63,866
2011	41,793
2014	17,077
	\$ 122,736

The Ross Memorial Hospital Notes to Financial Statements

March 31, 2009

13. Fair Value of Financial Instruments

The fair values represent amounts at which financial instruments could be exchanged between the hospital and willing parties. The fair values of accounts receivable and trade payables approximate their carrying amounts because of the short-term maturity of these instruments.

14. Economic Dependence

The hospital is economically dependent on the Ministry of Health and the Local Health Integration Network as it receives 80% of its revenue from these agencies.

15 Capital Disclosure

The hospital considers its capital to be the balance retained in net assets, which is generally the difference between its assets and its liabilities, including externally restricted balances, as reported on its statement of financial position. The hospital receives externally restricted funding from the provincial government for the delivery of public health care services. These funds are maintained and disbursed under the terms of the relevant funding agreements and management is responsible for adhering to the provisions of these agreements.

The hospital's objectives when managing capital are to safeguard the hospital's ability to continue as a going concern so that it can continue to provide delivery of its mandatory services to the public. Management maintains its capital by ensuring that annual operating and capital budgets are developed and approved by Board of Directors based on known or estimated sources of funding available each year. These budgets are shared with all management of the hospital to ensure that the capital of the hospital is maintained.