

Financial Statements

**Woodstock General Hospital Trust**  
March 31, 2011

## INDEPENDENT AUDITORS' REPORT

To the Members of  
**Woodstock General Hospital Trust**

We have audited the accompanying financial statements of **Woodstock General Hospital Trust**, 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.

### **Auditors' 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 auditors' 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 auditors consider internal control 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, the financial statements present fairly, in all material respects, the financial position of **Woodstock General Hospital Trust** 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. As required by the Corporations Act (Ontario), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

*Ernst & Young LLP*

London, Canada,  
May 31, 2011.

Chartered Accountants  
Licensed Public Accountants

**Woodstock General Hospital Trust**  
 Incorporated without share capital under the laws of Ontario

**STATEMENT OF FINANCIAL POSITION**

As at March 31

	<b>2011</b>	<b>2010</b>
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents [note 5]	3,910,793	2,491,668
Restricted cash and investments [note 15]	12,735,885	—
Accounts receivable	7,754,072	2,316,299
Inventories	274,820	232,317
Prepaid expenses	182,148	323,809
Current portion of long-term receivable [note 15]	<u>2,649,630</u>	—
<b>Total current assets</b>	<b>27,507,348</b>	5,364,093
Investments [note 6]	21,226,150	25,807,215
Long-term investments [note 7]	54,441	59,441
Long-term receivable [note 15]	161,494,764	101,872,172
Capital assets, net [note 8]	206,727,960	138,156,318
	<b>417,010,663</b>	271,259,239
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	7,404,661	6,214,927
Current portion of deferred contributions	6,451,687	6,285,804
Current portion of long-term obligation [note 15]	<u>21,440,670</u>	—
<b>Total current liabilities</b>	<b>35,297,018</b>	12,500,731
Deferred contributions [note 9]	210,875,825	140,187,555
Long-term obligation [note 15]	161,494,765	113,201,125
<b>Total liabilities</b>	<b>407,667,608</b>	265,889,411
Commitments and contingencies [notes 15 and 16]		
<b>Net assets</b>		
Endowments [note 10[a]]	542,398	542,398
Internally restricted [note 10[b]]	1,708,726	1,664,361
Unrestricted	<u>7,091,931</u>	3,163,069
	<u>9,343,055</u>	5,369,828
	<b>417,010,663</b>	271,259,239

*See accompanying notes*

On behalf of the Board:



Director



Director

Woodstock General Hospital Trust

STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31

	Endowments \$	Internally restricted \$	Unrestricted \$	2011 Total \$	2010 Total \$
	<i>[note 10[a]]</i>	<i>[note 10[b]]</i>			
Balance, beginning of year	542,398	1,664,361	3,163,069	5,369,828	5,358,574
Surplus for the year	—	—	3,973,227	3,973,227	11,254
Interfund transfers, net	—	44,365	(44,365)	—	—
Balance, end of year	<b>542,398</b>	<b>1,708,726</b>	<b>7,091,931</b>	<b>9,343,055</b>	<b>5,369,828</b>

*See accompanying notes*

## Woodstock General Hospital Trust

### STATEMENT OF OPERATIONS

Year ended March 31

	2011 \$	2010 \$
<b>REVENUES</b>		
Ministry of Health and Long-Term Care/Local Health Integration Network		
Global funding	49,160,391	43,391,247
Fee for services	3,746,567	3,465,835
Other programs <i>[note 11]</i>	8,499,040	8,548,626
Other patient	1,254,724	1,071,974
Preferred accommodation	593,977	708,175
Investment income	21,880	12,305
Other revenue <i>[note 13]</i>	4,231,164	3,999,599
Amortization of deferred contributions - equipment <i>[note 9]</i>	1,254,611	1,361,826
	<b>68,762,354</b>	<b>62,559,587</b>
<b>EXPENSES</b>		
Salaries, wages and other remuneration	33,694,616	33,517,864
Employee benefits	6,315,821	5,928,057
Supplies and other	8,234,554	8,033,511
Medical and surgical supplies	3,373,894	2,972,029
Drug	1,219,905	1,112,709
Amortization of equipment <i>[note 8]</i>	3,016,417	2,332,920
Loss (gain) on disposal of capital assets	32,960	(49,700)
Other programs <i>[note 11]</i>	8,562,852	8,580,996
	<b>64,451,019</b>	<b>62,428,386</b>
Income before the undernoted	4,311,335	131,201
Amortization of buildings and improvements	(5,369,301)	(308,005)
Amortization of deferred contributions - buildings and improvements <i>[note 9]</i>	5,031,193	188,058
<b>Surplus for the year</b>	<b>3,973,227</b>	<b>11,254</b>

*See accompanying notes*

Woodstock General Hospital Trust

STATEMENT OF CASH FLOWS

Year ended March 31

	2011	2010
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Surplus for the year	3,973,227	11,254
Add (deduct) charges to operations not requiring a cash payment (receipt)	3,016,417	2,332,920
Amortization of equipment	(5,031,193)	(188,058)
Amortization of deferred contributions - buildings and improvements	5,369,301	308,005
Amortization of buildings and improvements	(1,254,611)	(1,361,826)
Amortization of deferred contributions - equipment	32,960	(49,700)
Loss (gain) on disposal of capital assets	<u>6,106,101</u>	<u>1,052,595</u>
Net change in non-cash working capital balances related to operations [note 14]	(4,148,881)	(177,559)
Net increase in deferred contributions related to expenses of future periods	20,372	22,369
<b>Cash provided by operating activities</b>	<u>1,977,592</u>	<u>897,405</u>
<b>FINANCING ACTIVITIES</b>		
Deferred contributions received related to capital assets	14,545,888	2,937,493
Investment income on unspent capital contributions	301,475	230,701
<b>Cash provided by financing activities</b>	<u>14,847,363</u>	<u>3,168,194</u>
<b>INVESTING ACTIVITIES</b>		
Net change in long-term investments	5,000	5,000
Purchase of capital assets	(7,280,782)	(4,630,836)
Gain on sale of investments	(10,742)	(42,291)
Purchase of investments	(3,973,715)	(4,197,268)
Proceeds on sale of investments	8,565,522	4,509,233
Proceeds on sale of capital assets	24,772	113,743
<b>Cash used in investing activities</b>	<u>(2,669,945)</u>	<u>(4,242,419)</u>
<b>Net increase (decrease) in cash during the year</b>	<b>14,155,010</b>	<b>(176,820)</b>
Cash and cash equivalents position, beginning of year	2,491,668	2,668,488
<b>Cash and cash equivalents position, end of year</b>	<b><u>16,646,678</u></b>	<b><u>2,491,668</u></b>
<b>Represented by</b>		
Cash and cash equivalents	3,910,793	2,491,668
Restricted cash	12,735,885	—
<b>Represented by</b>	<b><u>16,646,678</u></b>	<b><u>2,491,668</u></b>

*See accompanying notes*

## Woodstock General Hospital Trust

### NOTES TO FINANCIAL STATEMENTS

March 31, 2011

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### [a] Basis of accounting and presentation

These financial statements represent the operations of the Woodstock General Hospital Trust [the "Hospital"] including funds held for special or endowment purposes. The financial statements do not include the assets, liabilities and activities of any other organizations, such as the Woodstock Hospital Foundation [the "Foundation"] and volunteer associations, which, although related to the Hospital, are not controlled by it.

##### [b] Revenue recognition

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

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.

Externally restricted contributions other than endowment 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 to revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as direct increases in endowment net assets.

Restricted investment income is deferred and recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

##### [c] Inventories

Inventories are valued at the lower of cost and replacement cost, with cost being determined on a first-in, first-out basis.

## Woodstock General Hospital Trust

### NOTES TO FINANCIAL STATEMENTS

March 31, 2011

#### [d] Investments

Fixed-income investments with fixed or determinable payments that management has the positive intention and ability to hold to maturity have been classified as held to maturity and are recorded at amortized cost using the effective interest rate method. Short-term securities are valued based on cost plus accrued income, which approximates fair value.

#### [e] Long-term investments

Investments in companies over which the Hospital has joint control are accounted for on an equity basis.

#### [f] Capital assets

Capital assets are valued at the cost incurred by the Hospital at the date of acquisition. All direct costs and interest related to building and equipment projects are capitalized during the period of construction until the project is complete.

Amortization is provided on a straight-line basis over the estimated useful lives of the assets. Amortization commences in the year an asset is put into use and is discontinued in the year an asset is disposed. The rates of amortization are as follows:

Buildings	2%
Building service equipment	5% to 20%
Equipment and furnishings	5% to 20%
Software	20%

When capital assets are disposed of, the related cost and accumulated amortization are removed from the respective accounts and any gain or loss is reflected in the statement of operations.

No amortization is recorded on construction in progress. No amortization is recorded until construction is substantially complete and the assets are ready for productive use.

#### [g] Contributed services and materials

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 and materials are not recognized in these financial statements.

# Woodstock General Hospital Trust

## NOTES TO FINANCIAL STATEMENTS

March 31, 2011

### [h] Use of estimates

Preparation of the Hospital's 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 statement of financial position and the reported amounts of revenues and expenses during the year. The inherent uncertainty involved in making such estimates may impact the actual results reported in future periods.

### [i] Financial instruments

The Hospital has chosen to continue to apply the Canadian Institute of Chartered Accountants ["CICA"] Handbook Section 3861: *Financial Instruments - Disclosure and Presentation* in place of CICA Handbook Section 3862: *Financial Instruments - Disclosures* and Section 3863: *Financial Instruments - Presentation*.

#### Financial assets and financial liabilities

CICA Handbook Section 3855: *Financial Instruments - Recognition and Measurement* establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It also specifies how financial instrument gains and losses are to be presented. All financial instruments must be classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Hospital's designation of such instruments.

The Hospital has made the following classifications on adoption of CICA Section 3855:

- [a] Cash is classified as held-for-trading and measured at fair value.
- [b] Accounts receivable are classified as loans and receivables. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.
- [c] Investments, which consist of fixed-income investments are classified as held-to-maturity and are measured at amortized cost using the effective interest rate method.
- [d] Accounts payable and accrued liabilities are classified as other financial liabilities. After their initial fair value measurement they are measured at amortized cost using the effective interest rate method.

## Woodstock General Hospital Trust

### NOTES TO FINANCIAL STATEMENTS

March 31, 2011

#### **2. FUTURE CHANGES IN ACCOUNTING POLICIES**

In September 2010, the Public Sector Accounting Board ["PSAB"] approved the inclusion of the 4400 series from the CICA Handbook – Accounting into the Public Sector Accounting ["PSA"] Handbook for use by government organizations applying the standards for not-for-profit organizations. The standards were renumbered Sections PS4200 to PS4270. PSAB also approved changes to the Introduction to the Standards giving these organizations a choice to apply either the PSA Handbook with the PS4200 series of standards or the PSA Handbook without the PS4200 series of standards. These standards are effective for fiscal years beginning on or after January 1, 2012, with an option to early-adopt. The Hospital is currently evaluating the impact of these standards.

#### **3. CAPITAL MANAGEMENT**

In managing capital, the Hospital focuses on liquid resources available for operations. The Hospital's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. The Hospital has an available line of credit of \$5,000,000 [2010 - \$5,000,000] that is used when sufficient cash flow is not available from operations to cover operating and capital expenditures. The Hospital will enter into long-term debt to assist with the financing of capital assets when other sources are not available. As at March 31, 2011, the Hospital had sufficient liquid resources to meet its current obligations.

#### **4. WOODSTOCK HOSPITAL FOUNDATION**

The Foundation is an organization with a separate Board of Directors that engages in fundraising activities on behalf of the Hospital. The Foundation transfers funds for capital purposes to the Hospital. The Hospital performs certain administrative functions related to the operations of the Foundation.

## Woodstock General Hospital Trust

### NOTES TO FINANCIAL STATEMENTS

March 31, 2011

#### 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	2011 Cost \$	2010 Cost \$
Cash (bank indebtedness)	(1,269,591)	1,104,747
Treasury account for operations	5,180,384	1,386,921
	<u>3,910,793</u>	<u>2,491,668</u>

The credit facility established with the Hospital's bankers consists of a credit line of \$5,000,000 [2010 - \$5,000,000] bearing interest at the bank's prime rate to be used for general operating purposes. No amount was drawn on this facility as at March 31, 2011 [2010 - nil].

#### 6. INVESTMENTS

Details of investments are as follows:

	2011		2010	
	Cost \$	Market value \$	Cost \$	Market value \$
Cash	117,106	117,106	400,851	400,851
Treasury accounts for capital	16,423,483	16,423,483	15,010,419	15,010,419
Bonds and GICs	4,685,561	4,653,010	10,395,945	10,367,592
	<u>21,226,150</u>	<u>21,193,599</u>	<u>25,807,215</u>	<u>25,778,862</u>

The market value of the investments was derived from quoted market values at year end.

The Hospital is subject to market risk, foreign currency risk, credit risk and interest rate risk with respect to its investment portfolio. To manage these risks, the Hospital has established a target mix of investment types intended to achieve optimal return within reasonable risk tolerances.

## Woodstock General Hospital Trust

### NOTES TO FINANCIAL STATEMENTS

March 31, 2011

#### 7. LONG-TERM INVESTMENTS

##### [a] Oxford ProResp Inc.

Effective January 1, 1995, Oxford ProResp Inc. was incorporated as a joint venture between the Hospital and a third party for the purposes of providing home care services to clients in Oxford County. The Hospital received 50 common shares, representing 50% of the voting equity of the joint venture, in exchange for cash. In fiscal 2004, the common shares were then exchanged share for share for Class A common shares at an amount equal to the original value. The Hospital also received 100 special Class A shares in exchange for a promissory note in the amount of \$100,000 which was fully repaid in fiscal 2001. The investment is being accounted for on an equity basis and, as such, is stated at cost plus income less dividends since acquisition.

	2011 \$	2010 \$
Special Class A shares	100,000	100,000
Class A common shares	50	50
Share of income since incorporation	617,891	617,891
Dividends received since incorporation	(663,500)	(658,500)
	<u>54,441</u>	<u>59,441</u>
	2011 \$	2010 \$
Hospital's share of total assets	324,606	339,080
Hospital's share of total liabilities	<u>125,407</u>	<u>134,828</u>
	2011 \$	2010 \$
Hospital's share of cash provided by (used in) operating activities	(36,807)	141,847
Hospital's share of cash used in investing activities	(13,738)	(18,229)
Hospital's share of cash used in financing activities	<u>(108,000)</u>	<u>(110,000)</u>
Hospital's share of cash provided by (used in) operating, investing and financing activities	<u>(158,545)</u>	<u>13,618</u>

## Woodstock General Hospital Trust

### NOTES TO FINANCIAL STATEMENTS

March 31, 2011

#### [b] Regional Shared Services ["RSS"]

RSS is an unincorporated joint venture established to develop and operate a shared electronic health information management system. Its members include the Hospital, the members of the Thames Valley Planning Partnership and other regional hospitals. Services include information systems related to electronic patient records, Picture Archiving and Communication System and general ledger applications. The Hospital's interest in RSS is nominal. The Hospital pays for its portion of shared capital and operating expenses related to RSS. The Hospital purchased \$834,711 of services from RSS during the year [2010 - \$853,064].

#### 8. CAPITAL ASSETS

Details of capital assets by major category are as follows:

	2011		2010	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Land and land improvements	2,309,076	353,758	2,309,076	353,758
Buildings and building service equipment	15,717,502	15,556,802	15,717,502	10,187,501
Equipment and furnishings	19,144,674	16,785,549	21,396,950	16,983,660
Software	2,771,497	2,753,570	2,725,143	2,662,067
	39,942,749	35,449,679	42,148,671	30,186,986
Less accumulated amortization		35,449,679		30,186,986
		4,493,070		11,961,685
New hospital development costs		17,226,785		13,497,433
Equipment purchases for new hospital		3,530,669		954,075
Construction in progress		181,477,436		111,743,125
<b>Net book value</b>		<b>206,727,960</b>		<b>138,156,318</b>

New hospital development and construction in progress relate to the construction of a new hospital that was approved by the Ministry of Health and Long-Term Care [the "Ministry"] on September 26, 2008 [note 15]. During the year buildings and building service equipment and equipment and furnishings associated with the existing hospital facility were written down by \$6,482,569 to reflect their remaining service potential based on the anticipated date of transition to the new hospital. The corresponding amount of the unamortized deferred contributions of \$5,650,454 related to these assets was recognized as revenue.

## Woodstock General Hospital Trust

### NOTES TO FINANCIAL STATEMENTS

March 31, 2011

#### 9. DEFERRED CONTRIBUTIONS

Deferred contributions consist of the following:

	2011 \$	2010 \$
Expenses of future periods [a]	1,203,685	1,183,313
Capital assets [b]	<u>216,123,827</u>	145,290,046
	<u>217,327,512</u>	146,473,359

##### [a] Deferred contributions related to expenses of future periods

Deferred contributions related to expenses of future periods represent funding for a special developmental program and investment income earned on unspent externally restricted donations for nursing education and palliative care.

	2011 \$	2010 \$
Balance, beginning of year	1,183,313	1,160,944
Add investment income restricted for other operating purposes	<u>20,372</u>	22,369
Balance, end of year	<u>1,203,685</u>	1,183,313

##### [b] Deferred contributions related to capital assets

Deferred contributions related to capital assets are as follows:

	2011 \$	2010 \$
Balance, beginning of year	145,290,046	68,157,564
Additional contributions received or receivable	<u>76,818,110</u>	78,451,665
Investment income on unspent capital contributions	<u>301,475</u>	230,701
Less amounts amortized to revenue	<u>(6,285,804)</u>	(1,549,884)
Balance, end of year	<u>216,123,827</u>	145,290,046

## Woodstock General Hospital Trust

### NOTES TO FINANCIAL STATEMENTS

March 31, 2011

The balance of deferred contributions related to capital assets consists of the following:

	2011 \$	2010 \$
Unamortized capital contributions used to purchase capital assets	21,786,254	
	36,875,833	
Unspent contributions	123,503,792	
	<u>179,247,994</u>	
	<u>216,123,827</u>	145,290,046

### 10. RESTRICTIONS ON NET ASSETS

- [a] All of the net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the principal be maintained intact. Investment income on \$542,398 [2010 - \$542,398] of the assets restricted for endowment purposes is externally restricted for capital purposes.
- [b] Income earned on internally restricted funds is recorded as revenue in the statement of operations. Transfers to and from these funds are at the discretion of the Board of Trustees on an annual basis. Income transferred to these funds in the current year from the unrestricted fund amounted to \$44,365 [2010 - \$27,525].

### 11. CONTRACT WITH MINISTRY OF COMMUNITY AND SOCIAL SERVICES AND MINISTRY OF CHILDREN AND YOUTH SERVICES

The Hospital has a service contract with the Ministry of Community and Social Services, and Ministry of Children and Youth Services. One requirement of the contract is the production by management of an Annual Program Expenditure Reconciliation Report, which shows a summary by service of all revenues and expenditures and any resulting surplus or deficit that relate to the contract.

### 12. HEALTHCARE OF ONTARIO PENSION PLAN

Pension benefit costs are expensed as related contributions are made to the Healthcare of Ontario Pension Plan ["HOOPP"]. Substantially all of the employees of the Hospital are members of the HOOPP. This plan is a multi-employer defined benefit pension plan. Employer contributions made to the HOOPP on behalf of employees amounted to \$2,956,370 [2010 - \$2,904,887].

## Woodstock General Hospital Trust

### NOTES TO FINANCIAL STATEMENTS

March 31, 2011

The most recent actuarial valuation for financial reporting purposes completed by HOOPP as at December 31, 2010, disclosed an actuarial value of net assets available for benefits of \$35.1 billion [2009 - \$32.6 billion] with accrued pension benefits of \$34.9 billion [2009 - \$32.1 billion] resulting in a surplus of \$176 million [2009 - \$536 million].

#### 13. RELATED PARTY TRANSACTIONS

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

- Management fees of \$196,000 [2010 - \$206,000] from Oxford ProResp Inc. have been included in other revenue.
- A donation of \$5,000 [2010 - \$250,198] was received from the Woodstock Auxiliary for equipment purchases and capital projects.
- A donation of \$2,717,418 [2010 - \$1,616,908] was received from the Foundation during the year. At year end, an amount of \$42,086 was receivable from the Foundation.

#### 14. STATEMENT OF CASH FLOWS

The net change in non-cash working capital balances related to operations consists of the following:

	2011	2010
	\$	\$
<b>Decrease (increase) in current assets</b>		
Accounts receivable	(5,437,773)	30,402
Inventories	(42,503)	(25,729)
Prepaid expenses	141,661	6,269
	<u>(5,338,615)</u>	<u>10,942</u>
<b>Increase (decrease) in current liabilities</b>		
Accounts payable and accrued liabilities	1,189,734	(188,501)
	<u>(4,148,881)</u>	<u>(177,559)</u>

## Woodstock General Hospital Trust

### NOTES TO FINANCIAL STATEMENTS

March 31, 2011

#### 15. COMMITMENTS

The Hospital has entered into an alternative financing and procurement ["AFP"] project agreement under Infrastructure Ontario ["IO"] for the construction, financing and maintenance of a new hospital under construction in Woodstock. The project is being built and financed during the construction period by an unrelated joint venture created to carry out the construction within the AFP agreement. Construction commenced in October 2008 and has a targeted completion date of June 2011. Under terms of the project agreement, payments that total approximately \$599 million will be made by the Hospital over a 30-year period with payments commencing after construction is substantially complete. A portion of these payments will be indexed over the term of the agreement to provide for changes in certain operating costs.

In addition, a Sinking Fund Trust Account was opened by the Hospital during the past year according to requirements under the Development Accountability Agreement with the Ministry of Health and Long-Term Care. The primary purpose of this fund was to hold amounts equal to the hospital's share of the construction project in trust for future disbursement to other parties. It currently holds approximately \$12.7 million in cash and investments.

The project costs incurred under the AFP to March 31, 2011 have been recorded as construction in progress [*note 8*] and reported as a long-term obligation in the amount of \$182.9 million [2010 - \$113.2 million].

The estimated total cost for the project is \$685 million which includes the project agreement costs noted above as well as other project related costs such as additional building costs, new and replacement equipment, and consulting costs paid directly by the Hospital. The Hospital has entered into an agreement with the Ministry to share in these project costs based on Ministry funding policy. The Ministry shares in these project costs at various rates with its share of eligible construction costs being 90%.

Based on the agreement signed with the Ministry, the Hospital has recognized the proportionate share of Ministry funding of the total project costs incurred to March 31, 2011 as a long-term receivable in the amount of \$164.1 million [2010 - \$101.9 million] as well as a deferred contribution. The Hospital, through its Local Share Plan, has received commitments from the Foundation, City of Woodstock, and the County of Oxford to fund a portion of the remainder of the project, with the balance of funding coming from the Hospital.

Unspent capital funds received or receivable of \$161.8 million [2010 - \$96.5 million] from the Ministry for new Hospital development costs are restricted by the Ministry and have been shown in the financial statements as part of unspent deferred contributions [*note 9*] and included in the Hospital's investments [*note 6*].

## Woodstock General Hospital Trust

### NOTES TO FINANCIAL STATEMENTS

March 31, 2011

#### **16. CONTINGENCIES**

The Hospital is subject to certain actual and potential legal claims that have arisen in the normal course of operations. In management's opinion, insurance coverage is sufficient to offset the cost of unfavourable settlements, if any, which may result from such claims.

#### **17. COMPARATIVE FINANCIAL STATEMENTS**

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2011 financial statements.