

Financial statements of

North York General Hospital

March 31, 2010

North York General Hospital

March 31, 2010

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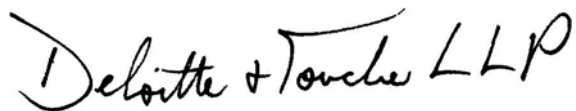
Auditors' Report

To the Members of
North York General Hospital

We have audited the statement of financial position of North York General Hospital as at March 31, 2010 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, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants
April 30, 2010

North York General Hospital

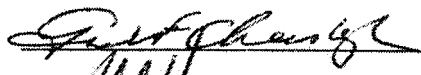

Statement of financial position

as at March 31, 2010

(In thousands of dollars)

	2010	2009
	\$	\$
Assets		
Current		
Cash and short-term investments	14,834	35,078
Accounts receivable and prepaid expenses (Note 5)	18,473	11,108
Inventories	3,359	2,342
	36,666	48,528
Capital assets (Note 6)	158,196	145,487
Long-term investments (Note 7)	29,922	29,067
	224,784	223,082
Liabilities, deferred contributions and net assets		
Current		
Accounts payable and accrued liabilities	58,394	59,212
Deferred revenue	8,610	7,754
Unspent capital contributions (Note 10)	3,769	5,215
Current portion of long-term debt (Note 9)	1,262	1,885
	72,035	74,066
Long-term liabilities		
Long-term debt (Note 9)	16,462	17,724
Derivative liability (Note 13)	3,232	5,322
Employee future benefits (Note 11)	6,437	5,142
	26,131	28,188
Deferred capital contributions (Note 10)	91,914	87,936
Net assets		
Invested in capital assets (Note 4)	48,558	37,942
Unrestricted	(13,854)	(5,050)
	34,704	32,892
Commitment and contingencies (Note 15)	224,784	223,082

On behalf of the Board

 Governor
 Governor

North York General Hospital

Statement of operations

year ended March 31, 2010

(In thousands of dollars)

	2010	2009
	\$	\$
Revenue		
Ministry of Health and Long-Term Care and Local Health Integration Network	261,987	255,260
Patient services	39,351	40,213
Ancillary operations	19,560	19,440
Amortization of deferred capital contributions - equipment (Note 4)	3,404	5,492
	324,302	320,405
Expenses		
Salaries and wages	154,596	151,625
Employee benefits	46,970	42,399
Medical staff	32,058	32,952
Building and equipment maintenance	20,872	21,677
Drugs	14,206	14,204
Medical and surgical supplies	14,641	13,694
Other supplies and expenses	31,203	29,341
Amortization of equipment (Note 4)	8,394	9,981
	322,940	315,873
Excess of revenue over expenses before the undernoted	1,362	4,532
Amortization of deferred capital contributions - building (Note 4)	2,891	2,788
Amortization of building (Note 4)	(4,397)	(4,212)
	(1,506)	(1,424)
Excess of revenue over expenses (expenses over revenue)	(144)	3,108

North York General Hospital

Statement of changes in net assets

year ended March 31, 2010

(In thousands of dollars)

	2010			2009
	Invested in capital assets	Unrestricted	Total	Total
	\$	\$	\$	\$
Balance, beginning of year	37,942	(5,050)	32,892	31,642
Excess of revenue over expenses (expenses over revenue)	(6,496)	6,352	(144)	3,108
Investment in capital assets (Note 4)	17,112	(17,112)	-	-
Change in fair value of investments	-	(134)	(134)	494
Change in fair value of cash flow hedges (Note 13)	-	2,090	2,090	(2,352)
Balance, end of year	48,558	(13,854)	34,704	32,892

North York General Hospital

Statement of cash flows

year ended March 31, 2010

(In thousands of dollars)

	2010	2009
	\$	\$
Operating activities		
Excess of revenue over expenses (expenses over revenue)	(144)	3,108
Items not affecting cash		
Amortization - equipment	8,394	9,981
Amortization - building	4,397	4,212
Amortization of deferred capital contributions	(6,295)	(8,280)
Employee future benefits liability	1,295	106
Change in non-cash components of working capital	(4,839)	(5,673)
	2,808	3,454
Financing activities		
Capital contributions		
Ontario Ministry of Health and Long-Term Care	5,727	2,570
North York General Hospital Foundation	3,100	2,483
Repayment of long-term debt	(1,885)	(1,771)
	6,942	3,282
Investing activities		
Increase in investments	(989)	(1,115)
Purchase of capital assets	(29,005)	(13,998)
	(29,994)	(15,113)
Decrease in cash and short-term investments	(20,244)	(8,377)
Cash and short-term investments, beginning of year	35,078	43,455
Cash and short-term investments, end of year	14,834	35,078
Supplementary information		
Interest paid	1,191	1,318

North York General Hospital

Notes to the financial statements

March 31, 2010

(in thousands of dollars unless otherwise noted)

1. Operation

North York General Hospital (the "Hospital"), including the IODE Children's Centre, is a four-site community teaching hospital, affiliated with the University of Toronto. The Hospital provides acute care, ambulatory and long-term care services to the community in north central Toronto and southern York Region.

The Hospital was incorporated in 1962, without share capital, under Part III of the Ontario Corporations Act. The Hospital is a registered charity, as defined in the Income Tax Act and as such, is exempt from corporate income tax.

These financial statements include the assets, liabilities and activities of the Hospital. These financial statements do not include the activities of the North York General Hospital Foundation (the "Foundation") or the activities of the North York General Hospital Volunteer Services.

Under the Health Insurance Act and Regulations thereto, the Hospital is primarily funded by the Province of Ontario in accordance with the funding arrangements established by the Ontario Ministry of Health and Long-Term Care (the "Ministry")/Local Health Integration Network ("LHIN"). The financial statements reflect agreed funding arrangements approved by the Ministry. The Hospital has entered into an accountability agreement with the LHIN which requires that the Hospital meet certain financial and non-financial performance indicators.

2. Changes in accounting policies - adoption of new accounting standards

The accounting policies of the Hospital, as described in Note 3, remain the same as those in the prior year with the exception of the following changes:

Adoption of accounting policies

Series of Sections 4400 – Not-for-profit organizations

In September 2008, the Canadian Institute of Chartered Accountants ("CICA") issued amendments to several of the existing sections on accounting, measurement and financial reporting by Not-for-profit organizations contained in the 4400 series of Sections of the CICA Handbook. As a result of adopting these amendments, the Hospital now records revenue and expenses from certain ancillary operations at their gross amounts as the Hospital is acting as a principal in these transactions. This has resulted in a \$787 increase in both revenues and expenses (2009 - \$708). It has also resulted in a change in presentation on the Statement of Cash Flows.

Section 1000 – Financial statement concepts

On January 1, 2009, the Hospital adopted the amendments made to Section 1000 "Financial statements concepts". The amended section requires an entity to demonstrate that any expenditure that it wishes to present as an asset meets the conceptual definition of an asset or is permitted to be recorded as assets under a specific CICA Handbook section. The adoption of these amendments has not resulted in any change in how the Hospital accounts for its transactions.

EIC-173 - Credit risk and the fair value of financial assets and financial liabilities

In January 2009, the Emerging Issues Committee issued the EIC-173 "Credit risk and the fair value of financial assets and financial liabilities". This abstract requires that an entity's own credit risk (for financial liabilities) and the credit risk of the counterparty (for financial assets) should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The new guidance did not have any impact on the valuation of the Hospital's financial assets and liabilities, or its net assets.

North York General Hospital

Notes to the financial statements

March 31, 2010

(in thousands of dollars unless otherwise noted)

3. Significant accounting policies

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

(a) *Revenue recognition*

The Hospital recognizes contributions under the deferral method, whereby restricted contributions and related investment income are recognized as revenue in the same period in which the related expenses are incurred.

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.

(b) *Employee benefit plans*

The Hospital accrues its obligations under employee benefit plans and the related costs and has adopted the following policies:

Multi-employer plan

Employees of the Hospital are eligible to be members of the Hospitals of Ontario Pension Plan, which is a multi-employer final average pay contributory pension plan. Employees are entitled to certain post-employment benefits. As part of a multi-employer plan, the Hospital expenses its contributions to the plan as they are made.

Other defined benefit plans

The Hospital provides certain healthcare, dental, life insurance and other benefits, for certain retired employees. The cost of employee future benefits is actuarially determined using the projected benefit method prorated on length of service and management's best estimate of salary escalation, retirement ages of employees, employee turnover and expected health and dental care costs.

(c) *Cash and short-term investments*

Cash and short-term investments include cash and other liquid investments that are valued at cost which together with accrued interest, approximates fair value. Included in cash and short-term investments is restricted cash of \$3,769 (2009 - \$5,215).

(d) *Inventories*

Inventories which are held for distribution at no charge or for a nominal charge are valued at the lower of cost (first-in, first-out basis) and current replacement value. Outpatient pharmacy inventories, which are sold at prices that reflect fair value, are valued at the lower of cost (first-in, first-out basis) and net realizable value.

(e) *Capital assets*

Capital assets are recorded at cost.

Amortization is provided for using the straight-line method at the following annual rates:

<u>Asset</u>	<u>Rate</u> %
Land improvements	6 2/3 - 20
Parking facilities	4 - 10
Buildings	2 1/2 - 5
Equipment	5 - 20
Software	33 1/3

North York General Hospital

Notes to the financial statements

March 31, 2010

(in thousands of dollars unless otherwise noted)

3. Significant accounting policies (continued)

(e) *Capital assets (continued)*

Projects in progress include direct construction, development costs and net capitalized interest. Interest costs, net of related interest income, are capitalized during the construction period. No amortization is recorded until projects are substantially complete and the assets are available for productive use.

(f) *Investment valuation*

Long-term investments have been classified as available-for-sale by the Hospital. As such, they are carried at fair value, using bid prices at year end. Fair value represents the amount at which a security could be exchanged in an arms' length transaction, between willing participants and is best evidenced by quoted market price, if one exists. Changes in the fair value of investments are reflected in the statement of changes in net assets.

(g) *Contributed services*

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, these contributed services are not recognized or disclosed in the financial statements and related financial statement notes.

(h) *Financial instruments and risk management*

Financial instruments are classified based on categories according to CICA Handbook "Section 3855 Financial Instruments - Recognition and Measurement" as follows:

Cash and short-term investments	Held for trading
Accounts receivable	Loans and receivables
Long-term investments	Available on sale
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities
Derivative liability	Available on sale

Held for trading items are carried at fair value, with changes in fair value recognized in the Statement of Operations in the current period. Available for sale items are carried at fair value, with changes in fair value recognized in the Statement of Changes in Net Assets until realized. Loans and receivables or other financial liabilities are carried at amortized cost, using the effective interest method.

Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties who are under no compulsion to act and is best evidence by a quoted market price, if one exists. The Hospital's fair values are management's estimates and are generally determined using market conditions at a specific point in time and may not reflect future tax values. The determinations are subjective in nature, involving uncertainties and the exercise of significant judgment.

As allowed under Section 3855 "Financial Instruments –Recognition and Measurement", the Organization has elected not to account for non-financial contracts as derivatives, and not to account for embedded derivatives in non-financial contracts, leases and insurance contracts as embedded derivatives.

The Organization has elected to follow the disclosure requirements of Section 3861 "Financial Instruments – Disclosure and Presentation" of the CICA Handbook.

North York General Hospital

Notes to the financial statements

March 31, 2010

(in thousands of dollars unless otherwise noted)

3. Significant accounting policies (continued)

(i) *Derivative financial instruments*

Derivative financial instruments are utilized by the Hospital in the management of its interest rate exposures. The Hospital assesses all existing derivative financial instruments and designates those that are effective economic hedges of identified risk exposures as hedges. The Hospital documents the relationships between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Hospital also assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are effective in offsetting changes in cash flows of hedged items.

Interest rate swap agreements are used as part of the Hospital's program to manage the fixed and floating interest rate mix of the Hospital's total debt portfolio and related overall cost of borrowing. Interest to be paid or received under such swap contracts is recognized over the life of the contracts as adjustments to interest expense.

(j) *Deferred capital contributions*

Capital contributions for the purpose of acquiring depreciable capital assets are deferred and amortized on the same basis, and over the same periods, as the related capital assets.

(k) *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 and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses for the year then ended. Actual results may differ from such estimates.

In particular, the amount of revenue recognized from the Ministry and the LHIN requires some estimation. The Hospital has entered into accountability agreements that set out the rights and obligations of the parties in respect of funding provided to the Hospital by the Ministry for the year ended March 31, 2007 and the Central LHIN for the year ended March 31, 2008 and on. The accountability agreements set out certain performance standards and obligations that establish acceptable results for the Hospital's performance in a number of areas.

If the Hospital does not meet its performance standards or obligations, the Ministry and the LHIN have the right to adjust funding received. Neither the Ministry nor the LHIN are required to communicate certain funding adjustments until after submission of year end data. Since this data is not submitted until after the completion of the financial statements, the amount of the Ministry/LHIN funding received during a year may be increased or decreased subsequent to year end. The amount of revenue recognized in these financial statements represents management's best estimates of amounts that have been earned during the year.

North York General Hospital

Notes to the financial statements

March 31, 2010

(in thousands of dollars unless otherwise noted)

4. Invested in capital assets

	2010	2009
	\$	\$
Capital assets	158,196	145,487
Long-term debt	(17,724)	(19,609)
Deferred capital contributions	(91,914)	(87,936)
	48,558	37,942

Change in net assets invested in capital assets is determined as follows:

	2010	2009
	\$	\$
Excess of revenue over expenses		
Amortization of deferred capital contributions		
equipment	3,404	5,492
building	2,891	2,788
	6,295	8,280
Amortization of capital assets		
equipment	8,394	9,981
building	4,397	4,212
	12,791	14,193
Excess of expenses over revenue	(6,496)	(5,913)
Net change in invested in capital assets		
Purchase of capital assets	25,500	16,982
Increase in deferred capital contributions	(8,827)	(5,053)
Change in unspent capital contributions received	(1,446)	1,768
Decrease in long-term debt	1,885	1,771
	17,112	15,468
Increase in net assets invested in capital assets	10,616	9,555

5. Accounts receivable and prepaid expenses

	2010	2009
	\$	\$
Ministry of Health and Long-Term Care	7,351	979
Ontario Hospital Insurance Plan	1,544	2,037
Patient receivables	4,160	3,892
Prepaid expenses	2,170	1,962
Cancer Care Ontario	1,404	657
North York General Hospital Foundation	194	184
Other	2,571	1,926
	19,394	11,638
Less allowance for doubtful accounts	(921)	(530)
	18,473	11,108

North York General Hospital

Notes to the financial statements

March 31, 2010

(in thousands of dollars unless otherwise noted)

6. Capital assets

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	541	-	541	541
Land improvements	290	290	-	-
Parking facilities	25,502	5,698	19,804	2,981
Buildings	170,510	73,278	97,232	100,297
Equipment	129,345	105,808	23,537	22,654
Software	16,447	14,878	1,569	2,636
	342,635	199,952	142,683	129,109
Projects in progress	15,513	-	15,513	16,378
	358,148	199,952	158,196	145,487

7. Long-term investments

The Hospital has invested cash committed to be spent on future construction and capital projects, with an investment management firm. These investments are held in money market and short-term bond pooled funds at a fair value of \$29,922 (2009 - \$29,067).

The Hospital, together with The Scarborough Hospital and Toronto East General Hospital, formed a joint venture, Shared Hospital Laboratory Inc. ("SHLI"), for the purpose of providing non-emergency laboratory services to the hospitals. The joint venture is equally owned through common shares by the three hospitals and its costs are reimbursed by the hospitals.

8. Short-term borrowings

The Hospital has available an unsecured operating facility with a Canadian chartered bank in the amount of \$12.0 million. At March 31, 2010, the Hospital had \$601 in outstanding letters of credit drawn on this facility (2009 - \$Nil).

9. Long-term debt

Long-term debt consists of the following:

	2010	2009
	\$	\$
Term bank loans (i)	17,485	18,449
Term bank loan (ii)	239	1,160
	17,724	19,609
Current portion of long-term debt	1,262	1,885
	16,462	17,724

- (i) The term bank loans are unsecured, at variable rates, require monthly payments of principal and interest, and are due from 2014 to 2030.
- (ii) The term bank loan is secured by revenue from the parking garage, is at a variable rate (prime plus 30 basis points), requires monthly payments of principal and interest, and is due in June, 2010.

North York General Hospital

Notes to the financial statements

March 31, 2010

(in thousands of dollars unless otherwise noted)

9. Long-term debt (continued)

(iii) Repayments of the long-term debt principal are as follows:

	\$
2011	1,262
2012	1,083
2013	1,147
2014	1,216
2015	873
Thereafter	12,143
	<u>17,724</u>

(iv) As at March 31, 2010, the Hospital had entered into contracts that exchanged a notional amount of \$17,724 from floating to fixed rate debt (2009 - \$19,609 exchanged from floating to fixed). Interest swap contracts range from 5.48% to 6.75%, expiring between 2010 and 2030. The hedge is effective and, therefore, the swaps are being amortized on the same basis as the debt.

(v) The Hospital is required to maintain certain financial performance covenants under its agreement with lenders, in the area of debt service coverage rates and annual capital expenditure amounts. The Hospital is in compliance with these covenants.

10. Deferred capital contributions

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets.

	2010	2009
	\$	\$
Balance, beginning of year	87,936	92,931
Contributions received	8,827	5,053
Contributions previously unspent	5,215	3,447
Amortization	<u>(6,295)</u>	<u>(8,280)</u>
	95,683	93,151
Less unspent portion; included in current liabilities	<u>(3,769)</u>	<u>(5,215)</u>
	<u>91,914</u>	<u>87,936</u>

11. Employee benefit plans

Multi-employer plan

Employees of the Hospital are eligible to be members of the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer final average pay contributory pension plan. Contributions made to the plan during the year by the Hospital amounted to \$12,746 (2009 - \$12,376). These amounts are included in the employee benefits expense in the Statement of Operations. Should there be a contribution deficiency in the plan, the Hospital may be required to make additional contributions to cover these deficiencies.

The most recent valuation for accounting purposes was completed by HOOPP as of December 31, 2009, disclosed a smooth asset value of \$32,556 million with accrued pension liabilities of \$32,020 million resulting in a surplus of \$536 million.

North York General Hospital

Notes to the financial statements

March 31, 2010

(in thousands of dollars unless otherwise noted)

11. Employee benefit plans (continued)

Other defined benefit plans

The Hospital offers various non-pension post-employment benefit plans to a number of its employees. These plans are accounted for as defined benefit plans. The accrued benefit liability is estimated as \$6,437 (2009 - \$5,142). The accrued benefit obligation is estimated as \$8,045 (2009 - \$3,708).

The Hospital is responsible for 75% of the cost of extended healthcare, dental, and semi-private accommodation and for 100% of the cost of group life insurance for some retirees.

The significant assumptions used in measuring the accrued benefit obligations for the non-pension benefit plans include:

- a discount rate of 5.75% (2009 - 8%);
- dental costs increasing by 4% (2009 - 4%) per annum starting from 2009;
- semi-private hospital coverage increasing by 9% (2009 - 5%) in 2011 and decreasing by 0.5% per annum to an ultimate rate of 5% per annum thereafter;
- extended health care costs increasing by 9% (2009 - 9%) in 2011 and decreasing by 0.5% per annum to an ultimate rate of 5% per annum thereafter.

A one percentage change in assumed health and dental care cost trend rates would have the following effects for 2010:

	Increase	Decrease
	\$	\$
Accrued benefit obligation as at March 31, 2010 at 5.75% discount rate	481	(417)

Information about the Hospital's employee future benefits is as follows:

	\$
Accrued benefit obligation - beginning of the year	3,708
Current service cost	1,122
Interest cost	372
Benefits paid	(349)
Experience losses	3,192
Accrued benefit obligation - end of the year	8,045
Opening unamortized actuarial experience gains	1,434
Unamortized actuarial experience losses	(3,042)
Accrued benefit liability	6,437
Plan expense	
Current service cost	1,122
Interest cost	372
Experience gains	(79)
Net benefit expense	1,415

The most recent actuarial evaluation of the obligation was performed as of March 31, 2010.

North York General Hospital

Notes to the financial statements

March 31, 2010

(in thousands of dollars unless otherwise noted)

12. Related entities

The North York General Hospital Foundation was established to raise funds to support the Hospital and its programs and capital needs. The Foundation is incorporated without share capital under the laws of Ontario and is a charitable organization registered under the *Income Tax Act*. The Foundation provided capital grants during 2010 of \$3,076 (2009 - \$2,498), which have been reflected as deferred capital contributions and operating grants of \$457 (2009 - \$478) which have been recognized as revenue from Ancillary operations.

The Hospital is party to a Shareholders' Agreement in relation to the Hospital's joint venture investment SHLI. SHLI provides non-emergency laboratory services for which the Hospital paid \$1,053 (2009 - \$1,034) and has an accounts payable balance of \$Nil (2009 - \$Nil) at March 31, 2010.

13. Financial instruments and risk management

The Hospital, through its exposure to financial assets and liabilities has exposure to the following risks from its use of financial instruments: credit risk and interest rate risk.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the Hospital. The interest bearing short term investments have a limited exposure to interest rate risk due to their short-term maturity.

Credit risk

The Hospital's principal financial assets are cash, accounts receivable and long-term investments, which are subject to credit risk. The carrying amounts of financial assets on the balance sheet represents the Hospital's maximum credit exposure at the balance sheet date.

The Hospital's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the balance sheet are net of allowance for doubtful accounts, estimated by the management of the Hospital based on previous experience and its assessment of the current economic environment. The credit risk on cash and short-term investments is limited because the counterparties are chartered banks with high credit-ratings assigned by national credit-rating agencies.

Fair value

Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. The Hospital's fair values are management's estimates and are generally determined using market conditions at a specific point in time and may not reflect future fair values. The determinations are subjective in nature, involving uncertainties and the exercise of significant judgment.

The fair value of cash, accounts receivable, due from the Foundation, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

The fair value of cash equivalents and short-term investments are based on quoted bid prices.

Fair value of derivative financial instruments

The Hospital entered into interest rate swap contracts to manage its exposure to interest rate risk. The fair value of the off balance sheet interest rate swap contracts are a liability of \$3,232 (2009 - \$5,322) and reflect the estimated amounts that the Hospital would pay if it were to unwind the contracts at the reporting date. This fair value is consistent with the evaluation of the derivative as an effective hedge.

North York General Hospital

Notes to the financial statements

March 31, 2010

(in thousands of dollars unless otherwise noted)

14. Capital management

The Hospital defines its capital as the amounts included in its net asset and deferred contribution balances.

The Hospital's objective when managing its capital is to safeguard the Hospital's ability to continue as a going concern so that it can continue to provide the appropriate level of benefits and services to its beneficiaries and its stakeholders.

A portion of the Hospital's capital is restricted in that the Hospital is required to meet certain requirements in order to utilize its externally restricted deferred contribution balance, as described in Note 10. The Hospital employs internal control processes to ensure that the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.

The Hospital sets the amount of net asset balances in proportion to risk, manages the net asset structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

15. Commitments and contingencies

- (a) Due to the nature of its operations, the Hospital is periodically subject to lawsuits in which the Hospital is a defendant, as well as grievances filed by its various unions. In the opinion of management, the ultimate resolution of any current lawsuits and/or grievances would not have a material effect on the Hospital's financial position or results of operations.
- (b) Healthcare Insurance Reciprocal of Canada ("The Reciprocal") was formed in 1987 as an insurance reciprocal pursuant to the Insurance Act of Ontario. The Reciprocal is licensed in Ontario, Manitoba, Saskatchewan, Alberta, Nova Scotia, Prince Edward Island, British Columbia, Northwest Territories, Yukon, Nunavut, Newfoundland and Labrador. It facilitates the exchange of reciprocal contracts of insurance among its subscribers, which are not-for-profit Canadian health care organizations. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2010.

Since its inception in 1987, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income, less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses, may be entitled to receive distributions of its share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There are no distributions receivable from HIROC as of March 31, 2010.
- (c) The Hospital has entered into an eight-year maintenance contract with GE Medical Systems Canada that expires between March 31, 2012 and March 31, 2016. Total maintenance payments of \$3,746 remain to be paid by the end of this period.
- (d) On March 31, 2006, the Hospital became a member of Hospital Administrative Services, which operates as Plexxus. The Hospital committed to a ten-year term as a Plexxus customer. Currently Plexxus provides supply chain services to the Hospital.

North York General Hospital

Notes to the financial statements

March 31, 2010

(in thousands of dollars unless otherwise noted)

16. Guarantees

In the normal course of business, the Hospital enters into agreements that meet the definition of a guarantee. The Hospital's primary guarantees are as follows:

- (a) The Hospital has provided indemnities under lease agreements for the use of various operations facilities. Under the terms of these agreements the Hospital agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.
- (b) Indemnity has been provided to all directors and or officers of the Hospital for various items including, but not limited to, all costs to settle suits or actions due to association with the Hospital, subject to certain restrictions. The Hospital has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of the Hospital. The maximum amount of any potential future payment cannot be reasonably estimated.
- (c) In the normal course of business, the Hospital has entered into agreements that include indemnities in favour of third parties. These indemnification agreements may require the Hospital to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

17. Comparative figures

Certain of the 2009 figures presented for comparative purposes have been reclassified to conform with the presentation adopted in the current year.