Financial Statements of

Health Sciences North
Horizon Santé-Nord

Years ended March 31, 2013 and 2012

Health Sciences North
Horizon Santé-Nord

STATEMENT OF MANAGEMENT RESPONSIBILITY

The accompanying financial statements of Health Sciences North have been prepared by management in accordance with Canadian public sector accounting principles, and the integrity and objectivity of these statements are management's responsibilities. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board. The Audit Committee meets with management and the external auditors no fewer than three times a year.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of Hospital's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of the Board and meet with it on a regular basis.

On behalf of Health Sciences North

Dr. Denis Roy
President & Chief Executive Officer

Ben Petersen
Ben Petersen
Vice President & Chief Financial Officer

June 11, 2013
Sudbury, Canada

KPMG LLP
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members

We have audited the accompanying financial statements of **Health Sciences North**, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in deficiency in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and notes, comprising 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 public sector accounting standards, 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 our 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, we 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 Health Sciences North, as at March 31, 2013, March 31, 2012 and April 1, 2011, and its results of operations and its cash flows for the years ended March 21, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 11, 2013
Sudbury, Canada

HEALTH SCIENCES NORTH

Statements of Operations

Years ended March 31, 2013 and 2012
(In thousands of dollars)

	2013	2012 (restated - note 2)
Revenue:		
NELHIN and MOHLTC	$ 303,429	300,455
Cancer Care Ontario	33,821	32,815
Specifically funded programs	27,161	27,849
Patient services	29,681	29,822
Other	28,264	26,745
Amortization - deferred capital contributions for equipment	9,607	10,450
	431,963	428,136
Expenses:		
Salaries and wages	198,868	200,115
Employee benefits	56,159	60,529
Medical staff remuneration	26,650	25,860
Supplies and other	55,878	53,142
Medical and surgical	28,339	29,287
Drugs	18,223	17,311
Specifically funded programs	27,500	27,902
Amortization - equipment	18,635	21,361
	430,252	435,506
Excess (deficiency) of revenue over expenses before the undernoted	1,711	(7,370)
Amortization - buildings	(10,723)	(10,850)
Amortization - deferred capital contributions for buildings	9,138	9,137
Excess (deficiency) of revenue over expenses	$ 126	(9,082)

See accompanying notes to financial statements.

HEALTH SCIENCES NORTH

Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011
(In thousands of dollars)

		March 31, 2013	March 31, 2012 (restated - note 2)	April 1, 2011 (restated - note 2)
Assets				
Current assets:				
Accounts receivable (note 3)	$	24,249	23,343	34,451
Inventories		3,857	3,845	3,456
Prepayments		5,571	7,335	5,871
		33,677	34,523	43,778
Restricted assets (note 4)		1,989	1,688	1,490
Long-term receivables (note 5)		9,392	8,005	8,647
Capital assets (note 6)		367,994	376,483	391,032
	$	413,052	420,699	444,947
Liabilities and Deficiency in Net Assets				
Current liabilities:				
Bank indebtedness (note 7)	$	42,008	38,197	48,377
Accounts payable and accrued liabilities (note 8)		93,935	92,390	88,000
Current portion of long-term obligations (note 11)		39	51	165
		135,982	130,638	136,542
Deferred contributions (note 9)		1,746	2,578	2,338
Deferred capital contributions (note 10)		313,787	327,524	342,418
Long-term obligations (note 11)		20,630	19,178	13,786
		336,163	349,280	358,542
Deficiency in net assets		(59,093)	(59,219)	(50,137)
Contingencies (note 15)				
	$	413,052	420,699	444,947

See accompanying notes to financial statements.

On behalf of the Board:

_______________ Director

_______________ Director

HEALTH SCIENCES NORTH

Statements of Changes in Deficiency in Net Assets

Years ended March 31, 2013 and 2012
(In thousands of dollars)

		2013	2012 (restated - note 2)
Deficiency in net assets, beginning of year	$	(59,219)	(50,137)
Excess (deficiency) of revenue over expenses		126	(9,082)
Deficiency in net assets, end of year	$	(59,093)	(59,219)

See accompanying notes to financial statements.

HEALTH SCIENCES NORTH

Statements of Cash Flows

Years ended March 31, 2013 and 2012
(In thousands of dollars)

		2013	2012 (restated - note 2)
Cash flows from operating activities:			
Excess (deficiency) of revenue over expenses	$	126	(9,082)
Adjustments for:			
Amortization of capital assets		29,358	32,211
Amortization of deferred capital contributions		(18,745)	(19,587)
Increase in accrued benefits obligation		1,617	5,443
		12,356	8,985
Change in non-cash working capital (note 12)		2,391	13,646
		14,747	22,631
Cash flows from capital activities:			
Additions to capital assets:			
- capital expansion project-building		(351)	(188)
- capital expansion project-equipment		(110)	(1,370)
- land		(113)	(1,777)
- equipment		(15,218)	(10,729)
- building		(4,925)	(3,559)
- medical learners project		(179)	(39)
Increase in deferred capital contributions		5,008	4,692
Proceeds on disposal of capital assets		27	–
		(15,861)	(12,970)
Cash flows from financing activities:			
Decrease (increase) in long-term receivables		(1,387)	642
Increase (decrease) in deferred contributions		(832)	240
Increase in long-term obligations		(177)	(165)
		(2,396)	717
Cash flows from investing activities:			
Increase in restricted assets		(301)	(198)
Net increase (decrease) in cash		(3,811)	10,180
Bank indebtedness, beginning of year		(38,197)	(48,377)
Bank indebtedness, end of year	$	(42,008)	(38,197)

See accompanying notes to financial statements.

The Hôpital Régional de Sudbury Regional Hospital (the "Hospital") was incorporated under the laws of Ontario on June 30, 1997 and is exempt from income taxes under Section 149 of the Income Tax Act. On January 29, 2013, the Hospital changed the legal name to Health Sciences North.

On April 1, 2012, the Hospital adopted Canadian public sector accounting standards. The Hospital has also elected to apply the 4200 standards for government not-for-profit organizations. These are the first financial statements prepared in accordance with these public sector accounting standards.

In accordance with the transitional provisions in Canadian public sector accounting standards, the Hospital has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying public sector accounting standards.

A summary of transitional adjustments recorded to net assets and deficiency of revenue over expenses is provided in note 2.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

(a) Revenue recognition:

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

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-term Care (the "MOHLTC") and the North East Local Health Integration Network ("NELHIN"). 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 the subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the straight-line basis, at rates corresponding to those of the related capital assets.

Revenue from patient and other services is recognized when the service is provided.

1. Significant accounting policies (continued):

(b) Inventories:

Inventories are stated at the lower of average cost and net realizable value. Cost comprises all costs to purchase, convert and any other costs in bringing the inventories to their present location and condition.

(c) Capital assets:

Purchased capital assets are recorded at cost. Assets acquired under capital leases are initially recorded at the present value of the future minimum lease payments and amortized over the useful life of the assets. Minor equipment replacements are expensed in the year of replacement.

Construction in progress is not amortized until construction is complete and the facilities come into use.

Amortization is provided on the straight-line basis at the following range of annual rates:

Buildings and site services	2% - 10%
Furniture and equipment	5% - 20%
Information technology	20% - 33%

In the year of acquisition, amortization is provided at one-half of the rates otherwise charged.

Long-lived assets, including capital assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Hospital uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer amortized. The asset and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the statement of financial position.

1. Significant accounting policies (continued):

(d) Related entities:

The notes to financial statements include information of the following entities (note 14):

Health Sciences North Foundation
Northern Cancer Foundation
Health Sciences North Volunteer Association
Sudbury Hospital Services
Sudbury Vascular Laboratory Ltd.
Advanced Medical Research Institute of Canada

The investment in the controlled entity, Sudbury Vascular Laboratory Ltd. is accounted for by the equity method. The other entities are not consolidated.

(e) Employee post-retirement benefits:

The Hospital accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care costs.

Actuarial gains (losses) on the accrued benefit obligation arise from changes in actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the employee benefit plan is 14 years.

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

The Hospital is an employer member of the Health Care of Ontario Pension Plan (the "Plan"), which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Hospital records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

(f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods specified. Significant items subject to such estimates and assumptions include the carrying amount of capital assets; valuation allowances for receivables, and inventories; valuation of financial instruments; and assets and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

1. Significant accounting policies (continued):

(g) Funding adjustments:

The Hospital receives grants from the NELHIN, MOHLTC and Cancer Care Ontario ("CCO") for specific services. Pursuant to the related agreements, if the Hospital does not meet specified levels of activity, the NELHIN, MOHLTC or CCO are entitled to seek refunds. Should any amounts become refundable, the refunds would be charged to operations in the period in which the refund is determined to be payable. Should programs and activities incur a deficit, the Hospital records any recoveries thereon in the period in which collection is received.

(h) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Given the difficulty of determining the fair market value, contributed services are not recognized in the financial statements.

(i) Financial instruments:

All financial instruments are initially recorded on the statement of financial position at fair value.

All investments, if any, held in equity instruments that trade in an active market are recorded at fair value. Management has elected to record investments at fair value as they are managed and evaluated on a fair value basis. Freestanding derivative instruments that are not equity instruments that are quoted in an active market are subsequently measured at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

All financial assets are assessed for impairment on an annual basis. Where a decline in fair value is determined to be other than temporary, the amount of the loss is recognized in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses. On sale, the statement of remeasurement gains and losses associated with that instrument are reversed and recognized in the statement of operations.

2. Transitional adjustments and restatements:

(a) Net assets:

The following table summarizes the impact of the transition to Canadian public sector accounting standards on the Hospital's net assets as of April 1, 2011:

Net assets:		
As previously reported under Canadian generally accepted accounting principles, March 31, 2011	$	(46,177)
Impact of the transition to Canadian public sector accounting standards		(3,960)
Restated, April 1, 2011	$	(50,137)

The impact of the transition to Canadian public sector accounting standards is comprised of three components.

(i) Transitional provisions:

In accordance with transitional provisions of the public sector accounting standards, the Hospital has elected to recognize actuarial gains and losses at the date of transition to Canadian public sector accounting standards directly in net assets. As a result, the Hospital has recognized an increase in liability and a charge to net assets.

(ii) Past service costs:

Public sector accounting standards require past service costs arising from plan amendments to be recognized immediately in the period the plan amendments occur. As a result, the Hospital has recognized an increased liability and a charge to net assets for unamortized past service costs at the date of transition to public sector accounting standards.

(iii) Discount rate used to calculate employee post-retirement benefits:

Canadian public sector accounting standards require these liabilities to be calculated with a discount rate that is equal to either the Hospital's rate of borrowing or the rate of return on the plan assets. Prior to transition to these new standards, the discount rate to be equal to the yield on high quality corporate bonds. Under Canadian public sector accounting standards, the Hospital has adopted a discount rate that is indicative of its long-term cost of borrowing. The change in the discount rate resulted in changes to the related liability and a corresponding adjustment to net assets at the date of transition to Canadian public sector accounting standards.

Additional information concerning employee post-retirement benefits is presented in note 11.

(In thousands of dollars)

2. Transitional adjustments and restatements (continued):

(b) Statement of operations:

As a result of the retrospective application of Canadian public sector accounting standards and the correction of an error relating to the recording of an obligation for statutory float banks, the Hospital recorded the following adjustments to deficiency of revenue over expenses for the year ended March 31, 2012 with a corresponding increase to liabilities:

Deficiency of revenue over expenses:		
As previously reported under Canadian generally accepted accounting principles for year ended March 31, 2012	$	(5,168)
Impact of the transition to Canadian public sector accounting standards		(3,553)
Correction of an error as a result of recording an obligation for statutory float banks		(361)
Restated for the year ended March 31, 2012	$	(9,082)

3. Accounts receivable:

		March 31, 2013	March 31 2012	April 1, 2011
NELHIN and MOHLTC	$	5,145	4,204	16,302
Patients		5,122	5,996	5,351
Hospitals and agencies		4,905	7,036	6,203
Cancer Care Ontario		4,685	2,545	1,398
Canada Revenue Agency (HST)		1,608	1,537	1,795
Current portion of long-term receivables		607	578	552
Other		3,202	4,034	5,438
		25,274	25,930	37,039
Less allowance for doubtful accounts		(1,025)	(2,587)	(2,588)
	$	24,249	23,343	34,451

(In thousands of dollars)

4. Restricted assets:

		March 31, 2013	March 31 2012	April 1, 2011
Cash	$	804	503	542
Short-term investments		681	681	446
MOHLTC receivable		504	504	502
	$	1,989	1,688	1,490

Restricted assets are restricted for the capital expansion project and medical learner project.

5. Long-term receivables:

		March 31, 2013	March 31 2012	April 1, 2011
Northern Cancer Foundation	$	2,171	2,333	2,484
City of Greater Sudbury		5,834	6,251	6,651
Advanced Medical Research Institute of Canada		1,995	–	–
Cancer Care Ontario		–	–	64
		10,000	8,584	9,199
Less current portion		(608)	(579)	(552)
	$	9,392	8,005	8,647

6. Capital assets:

March 31, 2013		Cost	Accumulated Amortization	Net book Value
Property	$	3,577	–	3,577
Buildings and site services		105,259	64,756	40,503
Furniture and equipment		93,903	63,079	30,824
Information technology		37,446	29,802	7,644
Assets under capital leases		3,800	2,671	1,129
Capital project - building		287,298	31,532	255,766
Capital project - equipment		48,725	31,459	17,266
Projects in progress		11,285	–	11,285
	$	591,293	223,299	367,994

(In thousands of dollars)

6. Capital assets (continued):

March 31, 2012		Cost	Accumulated Amortization	Net book Value
Property	$	3,464	–	3,464
Buildings and site services		102,841	61,115	41,726
Furniture and equipment		88,295	54,914	33,381
Information technology		32,698	26,623	6,075
Assets under capital leases		3,800	2,532	1,268
Capital project - building		286,947	24,434	262,513
Capital project - equipment		48,615	25,189	23,426
Projects in progress		4,630	–	4,630
	$	571,290	194,807	376,483

April 1, 2011		Cost	Accumulated Amortization	Net book Value
Property	$	1,711	–	1,711
Buildings and site services		100,445	57,437	43,008
Furniture and equipment		72,928	44,266	28,662
Information technology		39,453	22,372	17,081
Assets under capital leases		3,800	2,393	1,407
Capital project - building		286,759	17,250	269,509
Capital project - equipment		47,246	18,878	28,368
Projects in progress		1,286	–	1,286
	$	553,628	162,596	391,032

7. Bank indebtedness:

		March 31, 2013	March 31, 2012	April 1, 2011
Short-term borrowings	$	42,008	38,197	48,377

The Hospital has arranged for credit facilities which include a demand operating line to $20 million and a bridge loan to $70 million. The facilities bear interest at banker's prime rate (2012 - prime rate). Subsequent to March 31, 2013, the operating line and bridge loan were fully paid.

(In thousands of dollars)

8. Accounts payable and accrued liabilities:

		March 31, 2013	March 31, 2012 (restated - note 2)	April 1, 2011 (restated - note 2)
Accounts payable and accrued liabilities:				
- operating	$	27,495	24,410	23,164
- capital		2,734	1,438	1,970
- NELHIN and MOHLTC		8,030	9,102	6,850
- capital expansion project		542	562	3,677
Payroll accruals:				
- salaries and wages		15,059	14,846	12,601
- vacation pay		15,122	14,887	14,211
- sick leave		488	615	697
Deferred revenue		24,465	26,530	24,830
	$	93,935	92,390	88,000

9. Deferred contributions:

Deferred contributions represent unspent externally restricted grants for research and other purposes. The changes in the deferred contributions balance are as follows:

		2013	2012
Balance, beginning of year	$	2,578	2,338
Contributions received		921	2,119
Amounts taken to revenue		(984)	(1,879)
Amounts transferred to Advanced Medical Research Institute of Canada		(769)	–
Balance, end of year	$	1,746	2,578

(In thousands of dollars)

10. Deferred capital contributions:

Deferred capital contributions represent the unamortized and unspent balances of donations and grants restricted for capital asset acquisitions. Details of the continuity of these funds are as follows:

	2013	2012
Balance, beginning of year	$ 327,524	342,418
Additional contributions		
Equipment and buildings:		
NELHIN and MOHLTC	260	753
Cancer Care Ontario	962	60
Canada Health Infoway	–	1,486
eHealth Ontario	1,542	–
Northern Cancer Foundation	83	86
Health Sciences North Foundation	875	256
Other	537	1,762
	4,259	4,403
Capital expansion projects:		
MOHLTC - medical learners	480	–
City of Greater Sudbury	269	287
Other	–	2
	749	289
	5,008	4,692
Less amounts amortized to revenue	(18,745)	(19,586)
Balance, end of year	$ 313,787	327,524

The balance of unamortized and unspent funds consists of the following:

	March 31, 2013	March 31, 2012	April 1, 2011
Unamortized	$ 310,098	322,639	339,692
Unspent:			
Equipment	2,049	3,280	1,003
Capital Project	836	1,102	1,181
Medical Learners Capital project	804	503	542
	3,689	4,885	2,726
	$ 313,787	327,524	342,418

(In thousands of dollars)

11. Long-term obligations:

		March 31, 2013	March 31, 2012 (restated - note 2)	April 1, 2011 (restated - note 2)
Employee post-retirement benefits	$	20,630	19,139	13,696
Other		39	90	255
		20,669	19,229	13,951
Less: current portion		(39)	(51)	(165)
	$	20,630	19,178	13,786

Employee post-retirement benefits:

The Hospital sponsors a post-retirement defined benefit plan for medical, life insurance and dental benefits for substantially all unionized full time employees with various cost-sharing arrangements as determined by their collective agreements. The most recent valuation of the employee future benefits was completed as at April 1, 2012. The next full valuation of the plan will be as of April 1, 2015.

The accrued benefit obligation is recorded in the financial statements as follows:

		2013	2012 (restated - note 2)
Balance, beginning of year	$	19,139	13,696
Add: Benefit costs		2,097	5,948
		21,236	19,644
Less: Benefit contributions		(480)	(505)
Transfer to Advanced Medical Research Institute of Canada		(126)	–
Balance, end of year	$	20,630	19,139

Similar to most post-employment benefit plans (other than pension) in Canada, the Hospital's plan is not pre-funded, resulting in a plan deficit equal to the accrued benefit obligation.

(In thousands of dollars)

11. Long-term obligations (continued):

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

	March 31, 2013	March 31, 2012	April 1, 2011
Discount rate	4.25%	4.00%	5.25%
Dental cost trend rates	4.00%	4.00%	4.00%
Extended health care trend rates	7.50%	9.00%	9.00%

12. Change in non-cash working capital:

		2013	2012 (restated - note 2)
Accounts receivable	$	(906)	11,108
Inventories		(12)	(389)
Prepayments		1,764	(1,464)
Accounts payable and accrued liabilities		1,545	4,391
	$	2,391	13,646

13. Pension plan:

Substantially all of the employees of the Hospital are members of the Health Care of Ontario Pension Plan (the "Plan") which is a multi-employer defined benefit plan. Contributions to the Plan made during the year on behalf of employees amounted to $17,882 (2012 - $17,474) and are included in employee benefits in the statement of operations.

14. Other entities:

This section addresses disclosure requirements regarding the Hospital's relationships with related entities. The relationship can be one of economic interest, significant influence, joint control or control.

(a) Foundations and Volunteer Association:

The Hospital has an economic interest in the Health Sciences North Foundation. The Health Sciences North Foundation was created for the purpose of promoting and participating in fundraising programs in order to raise money for capital projects and to assist in undertaking all phases of medical research. At March 31, 2013, the amount owing to the Hospital from the Foundation was $935 (2012 - $247). During the year, the Hospital received donations amounting to $1,896 (2012 - $1,012) from the Health Sciences North Foundation.

The Hospital has an economic interest in the Northern Cancer Foundation. The Northern Cancer Foundation was created for the purpose of promoting and participating in fundraising activities throughout the northeastern Ontario region to support cancer research and cancer care programs of the Northeast Cancer Program. At March 31, 2013, the amount owing to the Hospital from the Foundation was $280 (2012 - $34).

The Hospital has an economic interest in the Health Sciences North Volunteer Association. The Health Sciences North Volunteer Association was created for the purpose of promoting and participating in fundraising activities in order to raise money for capital equipment, health related community projects and volunteer activities. At March 31, 2013, the amount owing to the Hospital from the Association was $47 (2012 - $35).

(b) Sudbury Hospital Services:

Sudbury Hospital Services was created to provide laundry services to the Hospital based on rates reflecting the costs, expenses and disbursements incurred by them in the normal course of business. The Hospital has significant influence in Sudbury Hospital Services. During the year, the Hospital purchased $4,863 (2012 - $5,036) in laundry, ware-washing, transport services from Sudbury Hospital Services. At March 31, 2013, the amount owing to Sudbury Hospital Services was $442 (2012 - $470).

(In thousands of dollars)

14. Other entities (continued):

(c) Sudbury Vascular Laboratory Ltd.:

Sudbury Vascular Laboratory Ltd. was created to operate a vascular laboratory. The Hospital controls Sudbury Vascular Laboratory Ltd. As at March 31, 2013, Sudbury Vascular Laboratory Ltd. had total amounts owing to the Hospital of $89 (2012 - $41).

Pertinent summary financial information of Sudbury Vascular Laboratory Ltd. is as follows:

		Sudbury Vascular Laboratory Ltd.	
		2013	2012
Financial position:			
Total assets	$	1,302	1,442
Total liabilities	$	276	233
Net assets		1,025	1,209
	$	1,302	1,442
Results of operations:			
Total revenue	$	1,437	1,857
Total expenses		1,663	1,582
Income taxes		(43)	51
Excess of revenue over expenses	$	(183)	224
Cash flows:			
Cash from operations	$	62	538
Cash financing and investing activities		(153)	(681)
Decrease in cash	$	(91)	(143)

(d) Advanced Medical Research Institute of Canada:

Advanced Medical Research Institute of Canada was created on April 1, 2012 to establish a center of excellence in research, education, and training related to health and healthcare delivery. The Hospital has significant influence in Advanced Medical Research Institute of Canada, a tax-exempt entity without share capital. As at March 31, 2013, Advanced Medical Research Institute of Canada had total amounts owing to the Hospital of $1,995.

15. Contingencies:

(a) Legal matters and litigation:

The Hospital is involved in certain legal matters and litigation, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved. Management is of the opinion that these matters are mitigated by adequate insurance coverage.

(b) Employment matters:

During the normal course of operation, the Hospital is involved in certain employment related negotiations and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable.

16. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to credit risk with respect to accounts receivable and other investments.

The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Hospital at March 31, 2013 is the carrying value of these assets.

Management considers credit risk to be minimal as most of the accounts receivable balance is collected in a timely fashion.

The Hospital follows an investment policy approved by the Board of Directors. The maximum exposure to credit risk of the Hospital at March 31, 2013 is the carrying value of these assets.

There have been no significant changes to the credit risk exposure from 2012.

(b) Liquidity risk:

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 60 days of the date of an invoice.

There have been no significant changes to the liquidity risk exposure from 2012.

17. Change in accounting policy:

On April 1, 2012, the Hospital adopted Public Accounting Standards *PS 3450 – Financial Instruments and PS 2601 – Foreign Currency Translation.* The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3450, all financial instruments are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the Hospital's accounting policy choices (see Note 1 - Significant Accounting Policies).

The adoption of these standards did not have a significant effect on the Hospital's financial statements for the year ended March 31, 2013.