

Financial Statements of



**Health Sciences North**  
**Horizon Santé-Nord**

Year ended March 31, 2014



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  
Vice President & Chief Financial Officer

May 13, 2014  
Sudbury, Canada



**KPMG LLP**  
**Chartered Accountants**  
Claridge Executive Centre  
144 Pine Street, PO Box 700  
Sudbury ON P3E 4R6

Telephone (705) 675-8500  
Fax (705) 675-7586  
In Watts (1-800) 461-3551  
Internet www.kpmg.ca

## INDEPENDENT AUDITORS' REPORT

To the Members

We have audited the accompanying financial statements of **Health Sciences North**, which comprise the statement of financial position as at March 31, 2014, the statements of operations, changes in deficiency in net assets and cash flows for the year then ended, 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, 2014, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

May 13, 2014  
Sudbury, Canada

# HEALTH SCIENCES NORTH

## Statement of Operations

Year ended March 31, 2014, with comparative information for 2013  
(In thousands of dollars)

	2014	2013
Revenue:		
NELHIN and MOHLTC	\$ 292,454	301,834
Cancer Care Ontario	52,014	35,416
Specifically funded programs	28,326	27,161
Patient services	31,653	29,681
Other	29,848	28,264
Amortization - deferred capital contributions for equipment	8,549	9,607
	<u>442,844</u>	<u>431,963</u>
Expenses:		
Salaries and wages	202,169	198,868
Employee benefits	57,670	56,159
Medical staff remuneration	26,908	26,650
Supplies and other	58,030	55,878
Medical and surgical	30,757	28,339
Drugs	18,979	18,223
Specifically funded programs	28,581	27,500
Amortization - equipment	18,196	18,635
	<u>441,290</u>	<u>430,252</u>
Excess of revenue over expenses from Hospital operations	1,554	1,711
Working capital relief funding (note 11)	19,312	-
Excess of revenue over expenses before undemoted	20,866	1,711
Amortization - buildings	(10,312)	(10,723)
Amortization - deferred capital contributions for buildings	9,190	9,138
<b>Excess of revenue over expenses</b>	<b>\$ 19,744</b>	<b>126</b>

See accompanying notes to financial statements.

# HEALTH SCIENCES NORTH


## Statement of Financial Position

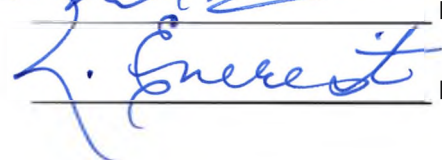
March 31, 2014, with comparative information for 2013  
(In thousands of dollars)

	2014	2013
<b>Assets</b>		
Current assets:		
Accounts receivable (note 2)	\$ 29,364	24,249
Inventories	4,129	3,857
Prepayments	5,651	5,571
	<u>39,144</u>	<u>33,677</u>
Restricted assets (note 3)	1,989	1,989
Long-term receivables (note 4)	12,118	9,392
Capital assets (note 5)	361,520	367,994
	<u>\$ 414,771</u>	<u>413,052</u>
<b>Liabilities and Deficiency in Net Assets</b>		
Current liabilities:		
Bank indebtedness (note 6)	\$ 32,085	42,008
Accounts payable and accrued liabilities (note 7)	93,600	93,935
Current portion of long-term obligations (note 10)	—	39
	<u>125,685</u>	<u>135,982</u>
Deferred contributions (note 8)	1,139	1,746
Deferred capital contributions (note 9)	304,910	313,787
Long-term obligations (note 10)	22,386	20,630
	<u>454,120</u>	<u>472,145</u>
Deficiency in net assets	(39,349)	(59,093)
Contingencies (note 15)		
	<u>\$ 414,771</u>	<u>413,052</u>

See accompanying notes to financial statements.

On behalf of the Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# HEALTH SCIENCES NORTH

## Statement of Changes in Deficiency in Net Assets

Year ended March 31, 2014, with comparative information for 2013  
(In thousands of dollars)

	2014	2013
Deficiency in net assets, beginning of year	\$ (59,093)	(59,219)
Excess of revenue over expenses	19,744	126
<b>Deficiency in net assets, end of year</b>	<b>\$ (39,349)</b>	<b>(59,093)</b>

See accompanying notes to financial statements.

# HEALTH SCIENCES NORTH

## Statement of Cash Flows

Year ended March 31, 2014, with comparative information for 2013  
(In thousands of dollars)

	2014	2013
<b>Cash flows from operating activities:</b>		
Excess of revenue over expenses	\$ 19,744	126
Adjustments for:		
Amortization of capital assets	28,508	29,358
Amortization of deferred capital contributions	(17,739)	(18,745)
Increase in accrued benefits obligation	1,756	1,617
	<u>32,269</u>	<u>12,356</u>
Change in non-cash working capital (note 12)	(5,802)	2,391
	<u>26,467</u>	<u>14,747</u>
<b>Cash flows from capital activities:</b>		
Additions to capital assets:		
- capital expansion project	(244)	(461)
- land	-	(113)
- equipment	(17,571)	(15,218)
- building	(4,148)	(4,925)
- medical learners project	(71)	(179)
Increase in deferred capital contributions	8,862	5,008
Proceeds on disposal of capital assets	-	27
	<u>(13,172)</u>	<u>(15,861)</u>
<b>Cash flows from financing activities:</b>		
Increase in long-term receivables	(2,726)	(1,387)
Decrease in deferred contributions	(607)	(832)
Decrease in long-term obligations	(39)	(177)
	<u>(3,372)</u>	<u>(2,396)</u>
<b>Cash flows from investing activities:</b>		
Increase in restricted assets	-	(301)
<b>Net increase (decrease) in cash</b>	<u>9,923</u>	<u>(3,811)</u>
Bank indebtedness, beginning of year	(42,008)	(38,197)
<b>Bank indebtedness, end of year</b>	<u>\$ (32,085)</u>	<u>(42,008)</u>

See accompanying notes to financial statements.

# HEALTH SCIENCES NORTH

## Notes to Financial Statements

Year ended March 31, 2014  
(In thousands of dollars)

---

Health Sciences North (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.

### 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.

#### (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.



# HEALTH SCIENCES NORTH

Notes to Financial Statements

Year ended March 31, 2014

(In thousands of dollars)

---

## 1. Significant accounting policies (continued):

### (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.

# HEALTH SCIENCES NORTH

## Notes to Financial Statements

Year ended March 31, 2014

(In thousands of dollars)

---

### 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.

# HEALTH SCIENCES NORTH

## Notes to Financial Statements

Year ended March 31, 2014

(In thousands of dollars)

---

### 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.

# HEALTH SCIENCES NORTH

## Notes to Financial Statements

Year ended March 31, 2014

(In thousands of dollars)

### 2. Accounts receivable:

	2014	2013
NELHIN and MOHLTC	\$ 5,769	5,145
Patients	5,995	5,122
Hospitals and agencies	9,251	4,905
CCO	2,933	4,685
Canada Revenue Agency (HST)	2,111	1,608
Current portion of long-term receivables	637	608
Other	3,968	3,201
	30,664	25,274
Less allowance for doubtful accounts	(1,300)	(1,025)
	\$ 29,364	24,249

### 3. Restricted assets:

	2014	2013
Cash	\$ 804	804
Short-term investments	681	681
MOHLTC receivable	504	504
	\$ 1,989	1,989

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

### 4. Long-term receivables:

	2014	2013
Northern Cancer Foundation	\$ 2,001	2,171
City of Greater Sudbury	5,396	5,834
Advanced Medical Research Institute of Canada	5,358	1,995
	12,755	10,000
Less current portion	(637)	(608)
	\$ 12,118	9,392

# HEALTH SCIENCES NORTH

Notes to Financial Statements

Year ended March 31, 2014

(In thousands of dollars)

## 5. Capital assets:

	2014		
	Cost	Accumulated Amortization	Net book Value
Property	\$ 3,577	–	3,577
Buildings and site services	107,248	67,902	39,346
Furniture and equipment	100,121	71,993	28,128
Information technology	40,977	33,110	7,867
Assets under capital leases	3,800	2,810	990
Capital project - building	287,250	38,699	248,551
Capital project - equipment	48,901	37,294	11,607
Projects in progress	21,454	–	21,454
	<b>\$ 613,328</b>	<b>251,808</b>	<b>361,520</b>

	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
	<b>\$ 591,293</b>	<b>223,299</b>	<b>367,994</b>

## 6. Bank indebtedness:

	2014	2013
Short-term borrowings	\$ 32,085	42,008

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 less 0.25% (2013 - prime rate less 0.25%).

# HEALTH SCIENCES NORTH

## Notes to Financial Statements

Year ended March 31, 2014

(In thousands of dollars)

### 7. Accounts payable and accrued liabilities:

	2014	2013
Accounts payable and accrued liabilities:		
- operating	\$ 26,512	27,495
- capital	4,585	2,734
- NELHIN and MOHLTC	7,612	8,030
- capital expansion project	405	542
Payroll accruals:		
- salaries and wages	16,562	15,059
- vacation pay	14,932	15,122
- sick leave	437	488
Deferred revenue	22,555	24,465
	\$ 93,600	93,935

### 8. Deferred contributions:

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

	2014	2013
Balance, beginning of year	\$ 1,746	2,578
Contributions received	734	921
Amounts taken to revenue	(438)	(984)
Amounts transferred to Advanced Medical Research Institute of Canada	(903)	(769)
Balance, end of year	\$ 1,139	1,746

# HEALTH SCIENCES NORTH

## Notes to Financial Statements

Year ended March 31, 2014

(In thousands of dollars)

### 9. 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:

	2014	2013
Balance, beginning of year	\$ 313,787	327,524
Additional contributions		
Equipment and buildings:		
NELHIN and MOHLTC	786	260
CCO	230	962
Canada Health Infoway	4,714	–
eHealth Ontario	1,336	1,542
Northern Cancer Foundation	173	83
Health Sciences North Foundation	124	875
Other	1,225	537
	8,588	4,259
Capital expansion projects:		
MOHLTC - medical learners	–	480
City of Greater Sudbury	249	269
Other	25	–
	274	749
	8,862	5,008
Less amounts amortized to revenue	(17,739)	(18,745)
Balance, end of year	\$ 304,910	313,787

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

	2014	2013
Unamortized	\$ 301,611	310,098
Unspent:		
Equipment	1,567	2,049
Capital Project	928	836
Medical Learners Capital project	804	804
	3,299	3,689
	\$ 304,910	313,787

# HEALTH SCIENCES NORTH

## Notes to Financial Statements

Year ended March 31, 2014  
(In thousands of dollars)

### 10. Long-term obligations:

	2014	2013
Employee post-retirement benefits	\$ 22,386	20,630
Other	–	39
	22,386	20,669
Less: current portion	–	(39)
	\$ 22,386	20,630

#### 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:

	2014	2013
Balance, beginning of year	\$ 20,630	19,139
Add: Benefit costs	2,291	2,097
	22,921	21,236
Less: Benefit contributions	(535)	(480)
Transfer to Advanced Medical Research Institute of Canada	–	(126)
Balance, end of year	\$ 22,386	20,630

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.

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

	2014	2013
Discount rate	3.75%	4.25%
Dental cost trend rates	4.00%	4.00%
Extended health care trend rates	7.50%	7.50%



# HEALTH SCIENCES NORTH

Notes to Financial Statements

Year ended March 31, 2014

(In thousands of dollars)

---

## 11. Working capital relief funding:

In March 2014, the Hospital was advised that it was eligible for one-time working capital relief funding over the next three fiscal years to improve its adjusted working funds deficit position. The Hospital is eligible to receive these funds provided that it meets certain conditions.

The funding is to be received in three annual installments of \$19,312.

## 12. Change in non-cash working capital:

	2014	2013
Accounts receivable	\$ (5,115)	(906)
Inventories	(272)	(12)
Prepayments	(80)	1,764
Accounts payable and accrued liabilities	(335)	1,545
	\$ (5,802)	2,391

## 13. Pension plan:

Substantially all of the employees of the Hospital are members of the Plan which is a multi-employer defined benefit plan. Contributions to the Plan made during the year on behalf of employees amounted to \$18,574 (2013 - \$17,882) and are included in employee benefits in the statement of operations.

# HEALTH SCIENCES NORTH

## Notes to Financial Statements

Year ended March 31, 2014  
(In thousands of dollars)

---

### 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, 2014, the amount owing to the Hospital from the Foundation was \$799 (2013 - \$935). During the year, the Hospital received donations amounting to \$1,319 (2013 - \$1,896) 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, 2014, the amount owing to the Hospital from the Foundation was \$326 (2013 - \$280).

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, 2014, the amount owing to the Hospital from the Association was \$34 (2013 - \$47).

#### (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 \$5,616 (2013 - \$4,863) in laundry, ware-washing, transport services from Sudbury Hospital Services. At March 31, 2014, the amount owing to Sudbury Hospital Services was \$305 (2013 - \$442).

# HEALTH SCIENCES NORTH

## Notes to Financial Statements

Year ended March 31, 2014  
(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, 2014, Sudbury Vascular Laboratory Ltd. had total amounts owing to the Hospital of \$86 (2013 - \$89).

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	1,026	1,209
	\$ 1,302	1,442
Results of operations:		
Total revenue	\$ 1,437	1,857
Total expenses	(1,663)	(1,582)
Income taxes (paid) recovery	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)

Financial information for 2014 was not available at the time of the audit report date.

#### (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 control over Advanced Medical Research Institute of Canada, a tax-exempt entity without share capital. As at March 31, 2014, Advanced Medical Research Institute of Canada had total amounts owing to the Hospital of \$5,358 (2013 - \$1,995).

# HEALTH SCIENCES NORTH

Notes to Financial Statements

Year ended March 31, 2014

(In thousands of dollars)

---

## 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, 2014 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, 2014 is the carrying value of these assets.

There have been no significant changes to the credit risk exposure from 2013.

### (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 2013.

## 17. Comparative information:

Certain 2013 comparative information have been reclassified to conform with the presentation adopted in 2014.