

Financial Statements of

**REGIONAL HEALTH AUTHORITY B**

Year ended March 31, 2009



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## AUDITORS' REPORT

To the Chairperson and Members of the Board of Directors  
Regional Health Authority B

We have audited the statement of financial position of Regional Health Authority B as at March 31, 2009 and the statements of operations, changes in net assets (deficiency) and cash flows for the year then ended. These financial statements are the responsibility of the Authority'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 Authority as at March 31, 2009 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

Fredericton, Canada  
May 22, 2009

# REGIONAL HEALTH AUTHORITY B

Financial Statements

Year ended March 31, 2009

## Financial Statements

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**Regional Health Authority B****STATEMENT OF FINANCIAL POSITION**

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**March 31, 2009, with comparative figures for 2008**

|  | <b>2009</b>       | <b>2008</b>       |
|--|-------------------|-------------------|
|  | <b>\$</b>         | <b>\$</b>         |
| <b>ASSETS</b>  |                   |                   |
| <b>Current</b>                                       |                   |                   |
| Cash   | 2,365,346         | 2,433,299         |
| Accounts receivable (note 5)                         | 85,124,831        | 80,343,426        |
| Inventory (note 6)                                   | 9,649,322         | 9,265,142         |
| Prepaid expenses                                     | 5,511,852         | 5,286,326         |
| Current portion of contributions receivable (note 7) | 1,262,592         | 1,194,266         |
|  | <hr/> 103,913,943 | <hr/> 98,522,459  |
| Contributions receivable (note 7)                    | 701,957           | 1,964,549         |
| Investments and restricted cash (note 8)             | 16,521,250        | 13,930,391        |
| Capital assets (note 9)                              | 411,828,864       | 377,627,277       |
|  | <hr/> 532,966,014 | <hr/> 492,044,676 |

**LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS (DEFICIENCY)**

|   |                    |                    |
|---|--------------------|--------------------|
| <b>Current</b>                                      |                    |                    |
| Short-term borrowing (note 10)                      | 8,471,366          | 16,976,934         |
| Accounts payable and accrued liabilities (note 11)  | 132,260,359        | 114,849,902        |
| Designated funds (note 12)                          | 5,787,483          | 5,753,705          |
| Current portion of long term debt (note 13)         | 1,267,887          | 2,239,575          |
|   | <hr/> 147,787,095  | <hr/> 139,820,116  |
| Long-term debt (note 13)                            | 845,105            | 2,099,038          |
| Employee future benefits (note 14)                  | 1,210,200          | 1,398,096          |
| Deferred contributions for capital assets (note 15) | 404,252,923        | 369,999,281        |
|   | <hr/> 554,095,323  | <hr/> 513,316,531  |
| <b>Net Assets (deficiency)</b>                      |                    |                    |
| Unrestricted  | (39,711,070)       | (40,721,627)       |
| Investment in capital assets (note 16)              | 7,588,872          | 6,609,220          |
| Endowments and restricted funds                     | 787,505            | 792,542            |
| Board equity  | 10,205,384         | 12,048,010         |
|   | <hr/> (21,129,309) | <hr/> (21,271,855) |
|   | <hr/> 532,966,014  | <hr/> 492,044,676  |

*Commitments (note 19)**Contingencies (note 23)**See accompanying notes**Approved by the Board:*\_\_\_\_\_  
Director\_\_\_\_\_  
Director

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**Regional Health Authority B****STATEMENT OF OPERATIONS**

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**Year ended March 31, 2009, with comparative figures for 2008**

|  | <b>2009</b>          | <b>2008</b>          |
|--|----------------------|----------------------|
|  | <b>\$</b>            | <b>\$</b>            |
| <b><u>Revenues</u></b>   |                      |                      |
| Department of Health   | 962,478,647          | 893,048,702          |
| Government of Canada   | 15,956,250           | 14,601,324           |
| Patient recoveries   | 28,837,954           | 25,293,353           |
| Other recoveries and sales                                       | 13,711,769           | 11,942,560           |
| Board generated  | 13,434,885           | 13,633,133           |
| Amortization of deferred contributions related to capital assets | 37,501,242           | 29,461,476           |
|  | <b>1,071,920,747</b> | <b>987,980,548</b>   |
| <b><u>Expenses</u></b>   |                      |                      |
| Nursing inpatient services                                       | 292,442,201          | 277,553,263          |
| Non-inpatient services   | 101,590,840          | 91,718,235           |
| Diagnostic and therapeutic services                              | 176,233,945          | 161,069,628          |
| Community services   | 90,515,205           | 82,939,991           |
| Medicare   | 119,052,195          | 106,140,119          |
| Research and education   | 13,608,375           | 12,769,089           |
| Support services   | 210,322,604          | 206,374,448          |
| Administrative services  | 23,563,065           | 23,817,647           |
| Ancillary services   | 2,375,967            | 1,249,694            |
| Board sponsored  | 11,582,981           | 16,544,846           |
| Loss on the disposal of capital assets                           | 16,689               | 1,472,932            |
| Amortization of capital assets                                   | 39,029,203           | 30,222,853           |
|  | <b>1,080,333,270</b> | <b>1,011,872,745</b> |
| Deficit from operations before undernoted                        | <b>(8,412,523)</b>   | <b>(23,892,197)</b>  |
| Working capital grant from Province of New Brunswick             | 11,142,721           | 14,133,534           |
| Adjustment of prior year-end settlements                         | (17,148)             | 177,903              |
| Surplus (deficit) for the year                                   | <b>2,713,050</b>     | <b>(9,580,760)</b>   |

*See accompanying notes*

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**Regional Health Authority B**

**STATEMENT OF CHANGES IN NET ASSETS (DEFICIENCY)**

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**Year ended March 31, 2009, with comparative figures for 2008**

|  | Investment<br>in Capital<br>Assets | Restricted<br>For<br>Endowments | Unrestricted        | Board             | 2009<br>Total       | 2008<br>Total       |
|--|------------------------------------|---------------------------------|---------------------|-------------------|---------------------|---------------------|
| Balance, beginning of year                                   | 6,609,221                          | 792,542                         | (40,721,626)        | 12,048,010        | (21,271,853)        | (10,736,180)        |
| Net surplus (deficit) for the year (note 16)                 | (1,527,961)                        | (2,638)                         | 2,319,970           | 1,923,679         | 2,713,050           | (9,580,760)         |
| Net change in available-for-sale investments during the year | -                                  | -                               | -                   | (2,568,107)       | (2,568,107)         | (949,823)           |
| Endowment and restricted funds expenditures                  | -                                  | (2,399)                         | -                   | -                 | (2,399)             | (5,090)             |
| Net changes in investment in capital assets (note 16)        | 2,507,612                          | -                               | (1,309,414)         | (1,198,198)       | -                   | -                   |
| <b>Balance, end of year</b>                                  | <b>7,588,872</b>                   | <b>787,505</b>                  | <b>(39,711,070)</b> | <b>10,205,384</b> | <b>(21,129,309)</b> | <b>(21,271,853)</b> |

*See accompanying notes*

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**Regional Health Authority B****STATEMENT OF CASH FLOWS**

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**Year ended March 31, 2009, with comparative figures for 2008**

|  | <b>2009</b>         | <b>2008</b>         |
|--|---------------------|---------------------|
|  | <b>\$</b>           | <b>\$</b>           |
| <b>Cash provided by (used in):</b>   |                     |                     |
| <b>Operating activities</b>  |                     |                     |
| Surplus (deficit) for the year   | 2,713,050           | (9,580,760)         |
| Add (deduct) items not requiring an outlay of cash                                 |                     |                     |
| Amortization of capital assets   | 39,029,203          | 30,222,853          |
| Amortization of deferred contributions on capital assets                           | (37,501,242)        | (29,461,476)        |
| Decrease in employee future benefits   | (105,600)           | (67,113)            |
| Write-down of Sussex Health Centre Investment                                      | -                   | 261,105             |
| Loss on disposal of capital assets   | 16,689              | 1,472,932           |
| Loss on disposal of investments  | 17,031              | (63,515)            |
|  | <u>4,169,131</u>    | <u>(7,215,974)</u>  |
| Net change in non-cash working capital balances<br>related to operations (note 17) | 12,053,127          | (376,703)           |
|  | <u>16,222,258</u>   | <u>(7,592,677)</u>  |
| <b>Financing activities</b>  |                     |                     |
| Increase in deferred contributions related to capital assets                       | 31,835,253          | 39,784,090          |
| Endowment expenditures   | (2,399)             | (5,090)             |
| Decrease in short term borrowing   | (8,505,568)         | (2,007,923)         |
| Repayment of long term debt  | (2,225,621)         | (1,180,201)         |
| Repayment of other liabilities   | (82,296)            | (86,691)            |
| Decrease in contributions receivable   | 1,194,266           | 1,129,640           |
|  | <u>22,213,635</u>   | <u>37,633,825</u>   |
| <b>Investing activities</b>  |                     |                     |
| Purchase of capital assets   | (33,335,376)        | (40,558,748)        |
| Proceeds on disposal of investments  | 756,036             | 6,098,714           |
| Purchase of investments  | (5,924,506)         | (5,646,291)         |
| Collection of investments - accounts receivable                                    | -                   | 4,328,492           |
|  | <u>(38,503,846)</u> | <u>(35,777,833)</u> |
| Cash decrease during the year  | (67,953)            | (5,736,685)         |
| Cash, beginning of year  | 2,433,299           | 8,169,984           |
| Cash, end of year  | <u>2,365,346</u>    | <u>2,433,299</u>    |

*See accompanying notes*

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## Regional Health Authority B

### NOTES TO FINANCIAL STATEMENTS

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Year ended March 31, 2009

#### 1. GENERAL / RESTRUCTURING

Regional Health Authority B was created on September 1, 2008 by the merger of the following Regional Health Authorities under Bill 34, an act to amend the Regional Health Authorities Act:

|                           |     |
|---------------------------|-----|
| Regional Health Authority | 1SE |
| Regional Health Authority | 2   |
| Regional Health Authority | 3   |
| Regional Health Authority | 7   |

The principal activity of the Authority is the provision of health care services to the south-eastern, western and southern areas of New Brunswick. Through a network of hospitals, health centres and specialty centres the Authority provides programs and services ranging from primary care to specialized and tertiary services. Community based services, such as Extra-Mural Program, Community Mental Health and Public Health are located in several communities.

Current and prior year's figures represent the combined financial results of these four Regional Health Authorities.

#### 2. FUTURE CHANGE IN ACCOUNTING POLICIES

In September, 2008, the CICA amended the introduction to accounting standards that apply only to not-for-profit organizations as outlined in the Section 4000 series of the CICA Handbook as well as consequential changes to other sections of the handbook.

These new standards are effective for the Authority on April 1, 2009. The Authority's management does not expect the application of these standards will have a material impact on its financial statements.



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**Regional Health Authority B**

**NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2009**

**3. SIGNIFICANT ACCOUNTING POLICIES**

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

*Revenue recognition*

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

The Authority is funded primarily by the Province of New Brunswick in accordance with budget arrangements established by the Department of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that future period.

Provision of services and sales of goods are recognized when the service is provided or when the customer takes ownership, the amount can be reasonably estimated and collection is reasonably assured.

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

Externally restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as direct increases in net assets.

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

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**Regional Health Authority B**

**NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2009**

*Inventories*

Inventories are valued at the lower of cost and net realizable value.

*Financial Instruments*

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Authority's designation for such instruments. Settlement date accounting is used.

Classification

|   |                       |
|---|-----------------------|
| Cash  | Held for trading      |
| Accounts receivable                             | Loans and receivables |
| Contributions receivable and long term advances | Loans and receivables |
| Investments and restricted cash                 | Available-for-sale    |
| Short-term borrowings                           | Other liabilities     |
| Accounts payable and accrued liabilities        | Other liabilities     |
| Designated funds                                | Other liabilities     |
| Long-term debt                                  | Other liabilities     |

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in Board generated revenue and expense.

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**Regional Health Authority B**

**NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2009**

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or held-for-trading investments. Except as mentioned below, available-for-sale financial assets are carried at fair value with unrealized gains and losses included in Board equity.

*Loans and receivables*

Loans and receivables are accounted for at amortized cost using the effective interest method.

*Other liabilities*

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities.

*Derivatives*

The Authority does not enter into any derivative financial instrument arrangements.

*Transaction costs*

Transaction costs related to other liabilities and loans and receivables are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest method.

*Capital assets*

Capital assets are recorded at cost and are amortized on a straight-line basis over the estimated useful life of the assets. Certain assets owned by the Province of New Brunswick are administered by the Authority and are recognized on the financial statements for purposes of accountability. (note 20)

Capital assets are amortized as follows:

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**Regional Health Authority B****NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2009**

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| Asset                  | Rate        |
|------------------------|-------------|
| Land improvements      | 4% to 20%   |
| Leasehold improvements | 10% to 20%  |
| Buildings              | 2.5% to 10% |
| Equipment              | 2.5% to 50% |

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Construction in progress is not amortized.

***Vacation pay and overtime***

Vacation pay and overtime is accrued to year end. The related funding from the Department of Health is recorded when received.

***Foreign Currency Transactions***

The market values of investments listed in foreign currencies are translated into Canadian dollars at the year-end closing exchange rate. In calculating unrealized gains or losses on foreign securities, cost values are translated into Canadian dollars at the rate of exchange on the transaction date.

***Sick pay***

Employees of the Authority are entitled to sick-pay benefits which accumulate. In accordance with generally accepted accounting principles for employee future benefits, the Authority does not accrue for these benefits as the benefits do not vest.

***Cash and cash equivalents***

The Authority considers cash balances with banks, net of overdrafts, and highly liquid temporary money market instruments with original maturities of three months or less as cash and cash equivalents. Bank borrowings are considered to be financing activities.

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**Regional Health Authority B**

**NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2009**

*Use of estimates*

The preparation of financial statements in conformity 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Areas of significant estimate include allowance for doubtful accounts, working capital estimates, accruals and employee future benefits. Actual results could differ from those estimates.

*Asset impairment*

When a capital asset no longer has any long-term service potential to the Authority, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

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**Regional Health Authority B**

**NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2009**

**4. FINANCIAL INSTRUMENTS**

*Credit Risk*

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Authority monitors the collectability of its accounts receivable on an on-going basis.

The Authority has approximately 74% (2008-74%) of its receivables with the Province of New Brunswick.

*Fair Value*

The carrying value of cash, restricted cash, accounts receivable, short-term borrowing and accounts payable and accrued liabilities approximate fair value due to the relatively short-term maturities of these instruments. The carrying value of the long-term debt approximates fair value. Investments are carried at fair value.

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**Regional Health Authority B****NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2009****5. ACCOUNTS RECEIVABLE**

|   | <b>2009</b>      | <b>2008</b>      |
|---|------------------|------------------|
|   | <b>\$</b>        | <b>\$</b>        |
| <hr/>   |                  |                  |
| <u>Province of New Brunswick</u>  |                  |                  |
| Medicare  | 16,628,119       | 12,053,679       |
| Equipment grants  | 5,157,849        | 5,831,951        |
| Provincial plan   | 14,188,683       | 18,126,799       |
| Budget amendments   | 15,410,826       | 10,922,478       |
| Estimated year end adjustments  | 206,964          | 6,038,050        |
| Other   | 1,491,135        | 452,995          |
| Working capital grant   | 9,397,239        | 5,489,575        |
|   | <hr/> 62,480,815 | <hr/> 58,915,527 |
| Patient, net of allowance for doubtful accounts<br>of \$1,780,393 (2008 - \$1,839,453 ) | 9,559,821        | 8,470,709        |
| Other related entities (note 18)  | 3,491,128        | 2,862,785        |
| HST   | 4,600,833        | 5,399,273        |
| Other   | 4,992,234        | 4,695,132        |
|   | <hr/> 85,124,831 | <hr/> 80,343,426 |
|   | <hr/> <hr/>      |                  |

**6. INVENTORY**

|                                     | <b>2009</b>     | <b>2008</b>     |
|-------------------------------------|-----------------|-----------------|
|                                     | <b>\$</b>       | <b>\$</b>       |
| <hr/>                               |                 |                 |
| Drugs                               | 3,562,504       | 3,602,454       |
| Medical, surgical, general supplies | 6,086,818       | 5,662,688       |
|                                     | <hr/> 9,649,322 | <hr/> 9,265,142 |
|                                     | <hr/> <hr/>     |                 |

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**Regional Health Authority B****NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2009****7. CONTRIBUTIONS RECEIVABLE**

|   | <b>2009</b> | <b>2008</b> |
|---|-------------|-------------|
|   | <b>\$</b>   | <b>\$</b>   |
| Funding commitment from Veterans Affairs Canada, in fiscal year 2002 of \$5,143,942, for the construction of a building for the care of veterans. This amount is to be funded over a period of eight (8) years via an increase in the operating per diem. | 1,027,370   | 1,748,428   |
| Funding commitment from Veterans Affairs Canada, in fiscal year 2003 of \$3,534,251, for the construction of a building for the care of veterans. This amount is to be funded over a period of eight (8) years via an increase in the operating per diem. | 937,179     | 1,410,387   |
|   | 1,964,549   | 3,158,815   |
| Less current portion  | 1,262,592   | 1,194,266   |
|   | 701,957     | 1,964,549   |

**8. INVESTMENTS AND RESTRICTED CASH**

|                             | <b>2009</b> | <b>2008</b> |
|-----------------------------|-------------|-------------|
|                             | <b>\$</b>   | <b>\$</b>   |
| Fixed income securities     | 6,405,739   | 7,134,064   |
| Canadian denominated stocks | 2,187,082   | 2,760,739   |
| U.S. denominated stocks     | 3,101,739   | 3,998,017   |
| Amount held in cash         | 4,826,690   | 37,571      |
|                             | 16,521,250  | 13,930,391  |



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**Regional Health Authority B****NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2009****9. CAPITAL ASSETS**

|                          | Cost        | Accumulate<br>d | Net Book Value |             |
|--------------------------|-------------|-----------------|----------------|-------------|
|                          |             |                 | 2009           | 2008        |
|                          | \$          | \$              | \$             | \$          |
| Land                     | 3,918,473   |                 | 3,918,473      | 3,632,562   |
| Land improvements        | 11,504,728  | 4,832,244       | 6,672,484      | -           |
| Leasehold improvements   | 1,185,277   | 753,542         | 431,735        | 494,170     |
| Buildings                | 480,256,687 | 255,417,739     | 224,838,948    | 246,142,088 |
| Equipment                | 335,968,847 | 225,078,938     | 110,889,909    | 80,190,556  |
| Construction in progress | 65,077,315  | -               | 65,077,315     | 47,167,901  |
|                          | 897,911,327 | 486,082,463     | 411,828,864    | 377,627,277 |

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**Regional Health Authority B****NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2009****10. SHORT-TERM BORROWINGS**

|   | <b>2009</b>      | <b>2008</b>       |
|---|------------------|-------------------|
|   | <b>\$</b>        | <b>\$</b>         |
| Note payable with the Province of New Brunswick due and payable on April 3, 2009, bearing interest at 0.45%   | 6,000,000        | -                 |
| Note payable with the Province of New Brunswick due and payable on April 6, 2009, bearing interest at 0.45%   | 1,000,000        | -                 |
| Note payable with the Province of New Brunswick due and payable on April 6, 2009, bearing interest at 0.38%   | 500,000          | -                 |
| Demand note, non-interest bearing, with no set terms of repayment, payable to Religious Hospitaliers of St. Joseph.   | 100,000          | 100,000           |
| Notes payable, interest at 4%, with no set terms of repayment, payable to Religious Hospitaliers of St. Joseph. Amount shown as payable includes interest accrued to date on notes. |                  |                   |
| Note 4%   | 180,989          | 180,989           |
| Note 4%   | 153,103          | 153,103           |
| Accrued interest on notes   | 537,274          | 540,613           |
| Note payable with the Province of New Brunswick due and payable on April 25, 2008, bearing interest at 4.2%   | -                | 4,000,000         |
| Note payable with the Province of New Brunswick due and payable on April 25, 2008, bearing interest at 1.85%  | -                | 4,000,980         |
| Note payable with the Province of New Brunswick due and payable on May 27, 2008, bearing interest at 1.90%  | -                | 6,001,249         |
| Note payable with the Province of New Brunswick due and payable on June 18, 2008, bearing interest at 4.06%   | -                | 500,000           |
| Note payable with the Province of New Brunswick due and payable on June 27, 2008, bearing interest at 4.07%   | -                | 500,000           |
| Note payable with the Province of New Brunswick due and payable on July 25, 2008, bearing interest at 3.45%   | -                | 1,000,000         |
|   | <b>8,471,366</b> | <b>16,976,934</b> |

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**Regional Health Authority B**

**NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2009**

**11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

|  | <b>2009</b>        | <b>2008</b>        |
|--|--------------------|--------------------|
|  | <b>\$</b>          | <b>\$</b>          |
| Accounts payable and other accrued liabilities | 47,262,758         | 46,908,103         |
| Salaries and benefits                          | 46,644,235         | 32,801,231         |
| Accrued vacation pay                           | 38,353,366         | 35,140,568         |
|  | <b>132,260,359</b> | <b>114,849,902</b> |

**12. DESIGNATED FUNDS**

|                         | <b>2009</b>      | <b>2008</b>      |
|-------------------------|------------------|------------------|
|                         | <b>\$</b>        | <b>\$</b>        |
| Patient and other funds | 1,256,894        | 1,254,945        |
| Educational funds       | 810,113          | 639,615          |
| Research funds          | 3,720,476        | 3,859,145        |
|                         | <b>5,787,483</b> | <b>5,753,705</b> |

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**Regional Health Authority B****NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2009****13. LONG TERM DEBT**

|   | <b>2009</b>      | <b>2008</b>      |
|---|------------------|------------------|
|   | <b>\$</b>        | <b>\$</b>        |
| Term loan with Province of New Brunswick due April, 2011 with a fixed rate of 5.4%, repayable in monthly installments of \$45,419 including principal and interest. Original loan was for 8 years and was covered by an increase in operational funding from Veterans Affairs Canada. | 1,071,668        | 1,544,876        |
| Term loan with Province of New Brunswick due July, 2010 with a fixed rate of 5.76%, repayable in monthly installments of \$66,830 including principal and interest.   | 1,027,370        | 1,748,428        |
| Term loan with Province of New Brunswick due March, 2009 with a fixed rate of 6.27%, repayable in monthly installments of \$10,981 including principal and interest.  | -                | 1,045,309        |
| Term lease due September, 2011, with a fixed rate of 8.99% payable in monthly installments of \$524 including principal and interest and is unsecured.  | 13,954           | -                |
|   | <u>2,112,992</u> | <u>4,338,613</u> |
| Less current portion  | <u>1,267,887</u> | <u>2,239,575</u> |
|   | <u>845,105</u>   | <u>2,099,038</u> |

Principal repayments are due as follows:

|      |           |
|------|-----------|
|      | \$        |
| 2010 | 1,267,887 |
| 2011 | 797,049   |
| 2012 | 48,056    |

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**Regional Health Authority B****NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2009****14. EMPLOYEE FUTURE BENEFITS****( A ) Former CEO's Pension**

The Corporation entered into supplementary pension arrangements with two of its former Chief Executive Officers on September 21, 1993 and May 8, 1995. The Province of New Brunswick has agreed to fund a portion of the obligations

|   | <b>2009</b>      | <b>2008</b>      |
|---|------------------|------------------|
|   | \$               | \$               |
| Total actuarial value, beginning of year  | 1,227,743        | 1,359,489        |
| Change during the year                    | (100,715)        | (47,672)         |
| Less: payments made during the year       | (78,528)         | (84,074)         |
| <b>Total actuarial value, end of year</b> | <b>1,048,500</b> | <b>1,227,743</b> |

**( B ) Other Pension**

The Corporation entered into alternative pension arrangements with four former employees of the West Saint John Community Hospital and an amount was recorded at March 31, 2007 equal to the present value of future monthly payments.

|   |                  |                  |
|---|------------------|------------------|
| Total actuarial value, beginning of year  | 170,353          | 192,411          |
| Change during the year                    | (4,883)          | (19,441)         |
| Less: payments made during the year       | (3,770)          | (2,617)          |
| <b>Total actuarial value, end of year</b> | <b>161,700</b>   | <b>170,353</b>   |
| <b>Total Employee Future Benefits</b>     | <b>1,210,200</b> | <b>1,398,096</b> |

**( C ) General Pensions**

Current employees of Regional Health Authority B are covered by the Public Service Pension Plans of the Province of New Brunswick. The Pension Plans are a defined benefit multi-employer plan under which contributions are made by both Regional Health Authority B and the employees. For the fiscal year ended March 31, 2009, the Authority expensed contributions of \$20,082,647 ( 2008 - \$18,549,214) under the terms of the plan. Regional Health Authority B has no direct liability or entitlement to any unfunded liability or surplus in the Plan related to its current or former employees.

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**Regional Health Authority B****NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2009****15. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS**

|   | <b>2009</b>  | <b>2008</b>  |
|---|--------------|--------------|
|   | <b>\$</b>    | <b>\$</b>    |
| <hr/>   |              |              |
| The changes in the deferred contributions balance during the year are as follows: |              |              |
| Balance, beginning of year  | 369,999,281  | 359,676,667  |
| Transfer from Department of Supply and Service (note 20)                          | 39,918,314   | -            |
| Additional contributions received   | 31,835,253   | 39,784,090   |
| Disposal of assets - net  | 1,317        |              |
| Less: amortized to revenue  | (37,501,242) | (29,461,476) |
|   | <hr/>        | <hr/>        |
|   | 404,252,923  | 369,999,281  |
|   | <hr/>        | <hr/>        |

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

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**Regional Health Authority B****NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2009****16. INVESTED IN CAPITAL ASSETS**

|  | <b>2009</b>        | <b>2008</b>      |
|--|--------------------|------------------|
|  | <b>\$</b>          | <b>\$</b>        |
| Investment in capital assets is as follows:                      |                    |                  |
| Capital assets   | 411,828,864        | 377,627,277      |
| Less amounts funded by:  |                    |                  |
| Deferred contributions used to purchase capital assets           | (404,252,923)      | (369,999,281)    |
| Contributions receivable   | 1,964,549          | 3,158,815        |
| Long term debt related to the purchase of capital assets         | (1,951,618)        | (4,177,591)      |
|  | <u>7,588,872</u>   | <u>6,609,220</u> |
| Change in investment in capital assets is calculated as follows: |                    |                  |
| Excess of expenses over revenues                                 |                    |                  |
| Amortization of deferred contributions related to capital assets | 37,501,242         | 29,461,476       |
| Less: amortization of capital assets                             | (39,029,203)       | (30,222,853)     |
|  | <u>(1,527,961)</u> | <u>(761,377)</u> |
| Net change in investment in capital assets:                      |                    |                  |
| Purchase of capital assets                                       | 33,335,376         | 40,558,748       |
| Amounts funded by deferred contributions                         | (31,835,253)       | (39,784,090)     |
| Contributions receivable spent                                   | (1,194,266)        | (1,129,640)      |
| Donated assets and other   | (23,866)           | 1,139            |
| Repayment of long-term debt                                      | 2,225,621          | 1,180,201        |
|  | <u>2,507,612</u>   | <u>826,358</u>   |

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**Regional Health Authority B****NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2009****17. STATEMENT OF CASH FLOWS**

Changes in non-cash operating working capital items were as follows:

|  | <b>2009</b>       | <b>2008</b>       |
|--|-------------------|-------------------|
|  | <b>\$</b>         | <b>\$</b>         |
| <hr/>                                    |                   |                   |
| <b>Decrease (increase) in</b>            |                   |                   |
| Accounts receivable                      | (4,781,402)       | (3,198,081)       |
| Inventory                                | (384,180)         | 102,470           |
| Prepaid expenses                         | (225,526)         | (1,944,881)       |
|  | <hr/> (5,391,108) | <hr/> (5,040,492) |
| <b>Increase (decrease) in</b>            |                   |                   |
| Accounts payable and accrued liabilities | 17,410,457        | 4,006,874         |
| Designated funds                         | 33,778            | 656,915           |
|  | <hr/> 17,444,235  | <hr/> 4,663,789   |
|  | <hr/> 12,053,127  | <hr/> (376,703)   |
|  | <hr/> <hr/>       | <hr/> <hr/>       |

*Supplemental information*

During the year, the Authority received and paid the following:

|                   | <b>2009</b> | <b>2008</b> |
|-------------------|-------------|-------------|
|                   | <b>\$</b>   | <b>\$</b>   |
| Interest received | 667,316     | 935,511     |
| Interest paid     | 374,861     | 701,827     |



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**Regional Health Authority B****NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2009****18. RELATED PARTIES**

The Authority has an economic interest in several foundations which are registered charitable foundations incorporated in various communities. Their purpose is to raise, invest and distribute funds used in the enhancement of services and facilities throughout Regional Health Authority B. In addition, several Auxiliaries which are not for profit organizations who operate gift shops and organize fund raising events, have distributed funds to the hospitals to be used in the enhancement of services and facilities.

Fundy Linen Service Inc. provides central laundry services to public hospitals and similar institutions.

FacilicorpNB is a non-clinical shared services agency providing services to the Province of New Brunswick.

Regional Health Authority B, Regional Health Authority A, Fundy Linen Service Inc. and Facilicorp NB all are accountable to the Department of Health.

The purchase and sale of materials and services were measured at exchange amounts which are also market prices, on normal terms of purchase and sale.

|   | <b>2009</b>     | <b>2008</b>     |
|---|-----------------|-----------------|
|   | <b>\$</b>       | <b>\$</b>       |
| <b>Transactions during the year</b>               |                 |                 |
| Supply of services to                             |                 |                 |
| FacilicorpNB                                      | 1,133,341       | -               |
| Other   | 1,712,670       | 1,624,151       |
|   | <hr/> 2,846,011 | <hr/> 1,624,151 |
| Donations received from                           |                 |                 |
| Foundations                                       | 5,399,679       | 8,847,968       |
| Auxiliaries                                       | 458,701         | 207,777         |
|   | <hr/> 5,858,380 | <hr/> 9,055,745 |
| Purchased services from                           |                 |                 |
| Fundy Linen Service Inc.                          | 5,795,797       | 5,799,696       |
| <b>Balances at end of year</b>                    |                 |                 |
| Accounts receivable from related parties (note 5) | 3,491,828       | 2,862,785       |
| Accounts payable to related parties               | 85,943          | -               |

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**Regional Health Authority B**

**NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2009**

**19. COMMITMENTS**

The Authority is committed to minimum annual lease payments under various operating leases as follows:

|      | \$        |
|------|-----------|
| 2010 | 6,587,908 |
| 2011 | 4,972,237 |
| 2012 | 3,735,729 |
| 2013 | 1,750,648 |
| 2014 | 986,759   |

The Authority has an agreement with the University of New Brunswick - Saint John (UNBSJ) to supply steam sufficient to meet the campus' needs to a maximum of 15,000 lbs per hour. The Authority is not liable for any loss, damage, cost or expense incurred by UNBSJ as a result of the Authority's failure to supply steam unless the failure is caused by negligence or wilful misconduct of the Authority. The Authority will be reimbursed based on actual consumption at rates agreed upon by both parties. The agreement expires March 31, 2025.

The Authority has an agreement with Eclipsys Corporation to replace its Clinical Information system totaling \$14,181,024. The multi-year project has been jointly funded by the Department of Health and the Authority. As at March 31, 2009, the outstanding commitment is \$8,972,264.

The Authority has an agreement with GE Healthcare for service support requirements of diagnostic imaging equipment in the amount of \$7,815,670. The five year service support contract commenced on October 1, 2007. As at March 31, 2009 the outstanding commitment is \$4,807,076.

The Authority enters into other contractual arrangements on a regular basis in its normal course of business.

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**Regional Health Authority B****NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2009****20. SAINT JOHN REGIONAL HOSPITAL ASSET TRANSFER**

At the request of the Department of Health, the capital costs for the Saint John Regional Hospital were included in the accounts for Regional Health Authority B. Previously these capital costs were recorded by the Department of Supply and Services and have been removed from their statements. The adjustment was recorded without retroactive application. The net book value of the assets comprising the building, betterments and equipment and the associated deferred capital contribution are as follows:

|  | Cost<br>\$  | Accumulated<br>amortization<br>\$ | Net<br>\$  |
|--|-------------|-----------------------------------|------------|
| Building and building services equipment | 118,440,575 | 79,192,725                        | 39,247,850 |
| Equipment                                | 1,219,026   | 548,562                           | 670,464    |
|  | 119,659,601 | 79,741,287                        | 39,918,314 |

The effective date of the transfer was April 1, 2008 and amortization was taken in the current year. This associated capital costs and accumulated amortization for the other regional hospitals are already included in the statements for the Authority. Certain other assets administered by the Authority, and historically not recognized, have not been recorded due to insignificant cost.

**21. COMPARATIVE FIGURES**

Certain 2008 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2009.

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**Regional Health Authority B**

**NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2009**

**22. RESTRICTED BOARD RESERVES**

The excess of Board generated revenues over Board sponsored expenses is internally restricted by the Board of Directors. This internally restricted amount is available for purposes specifically approved by the Board of Directors.

**23. CONTINGENCIES**

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

The Authority is covered under the Health Services Liability Protection Plan which is underwritten by the Province of New Brunswick and administered by Health Care Insurance Reciprocal of Canada (HIROC).