

Financial statements of

Headwaters Health Care Centre

March 31, 2010

Headwaters Health Care Centre

March 31, 2010

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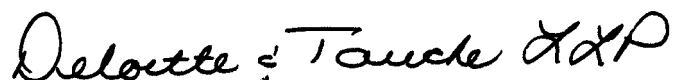
Auditors' Report

To the Board of Directors and Members
Headwaters Health Care Centre

We have audited the statement of financial position of Headwaters Health Care Centre as at March 31, 2010 and the statements of operations, changes in net assets, and of cash flows for the year then ended. These financial statements are the responsibility of the Corporation'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 Headwaters Health Care Centre as at March 31, 2010 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants
May 7, 2010

Headwaters Health Care Centre

Statement of financial position as at March 31, 2010

	2010	2009
	\$	\$
Assets		
Current		
Cash	3,099,326	2,327,848
Restricted cash	2,216,432	1,091,009
Accounts receivable (Note 4)	1,897,455	1,787,961
Inventories	364,451	305,893
Prepaid expenses	340,312	170,637
	7,917,976	5,683,348
Investments - restricted	115,196	113,791
Capital assets (Note 5)	41,252,784	43,131,538
Other	-	37,500
	49,285,956	48,966,177
Liabilities		
Current		
Accounts payable and accrued liabilities	5,268,627	5,331,656
Capital lease obligation - current (Note 6)	237,384	74,778
Deferred revenue	2,410,685	1,285,117
	7,916,696	6,691,551
Long-term		
Sick leave benefits payable	18,253	20,656
Employee future benefits (Note 11)	1,739,500	1,597,000
Employee benefit fund	265,590	192,963
Capital lease obligation - long-term (Note 6)	1,033,839	1,235,272
Deferred capital contributions (Note 7)	36,180,018	36,912,735
	39,237,200	39,958,626
Net assets		
Invested in capital assets	3,801,543	4,908,753
Endowment fund	115,196	113,791
Unrestricted	(1,784,679)	(2,706,544)
	2,132,060	2,316,000
	49,285,956	48,966,177

On behalf of the Board

_____ Chairman

_____ Treasurer

Headwaters Health Care Centre

Statement of operations year ended March 31, 2010

	2010	2009
	\$	\$
Revenues		
Ministry of Health and Long-Term Care		
Patient care	37,738,362	36,737,536
One-time	2,208,198	965,604
Physician programs (Note 12)	1,335,545	1,451,980
Other sources	8,235,827	8,128,657
Other programs (Note 8)	4,866,771	4,790,808
Amortization of deferred capital contributions - equipment	1,441,515	1,160,638
	55,826,218	53,235,223
Expenses		
Salaries	26,107,323	25,077,707
Benefits	7,941,511	7,045,789
Medical staff remuneration		
Patient care	3,086,144	2,648,806
Physician programs (Note 12)	1,490,322	1,662,404
Supplies and other	7,161,294	7,186,142
Medical and surgical supplies	2,019,984	2,163,551
Drugs	1,348,320	1,352,062
Bad debts	27,470	53,491
Amortization - equipment	1,701,695	1,254,463
Other programs (Note 8)	4,876,731	4,790,808
	55,760,794	53,235,223
Excess of revenues over expenses before the undernoted	65,424	-
Other revenues (expenses)		
Amortization of		
Deferred capital contributions - building and land improvements	1,888,503	847,593
Building and land improvements	(2,139,272)	(891,046)
	(250,769)	(43,453)
Excess of expenses over revenues	(185,345)	(43,453)

Headwaters Health Care Centre

Statement of changes in net assets year ended March 31, 2010

	2010			2009	
	Invested in capital assets	Endowment Fund	Unrestricted	Total	Total
	\$	\$	\$	\$	\$
Balance, beginning of year	4,908,753	113,791	(2,706,544)	2,316,000	2,384,658
Excess of expenses over revenues	(512,958)	-	327,613	(185,345)	(43,453)
Net change in endowment fund	-	1,405	-	1,405	(25,205)
Additions to capital assets	1,964,222	-	(1,964,222)	-	-
Capital grants and capital donations received	(2,597,301)	-	2,597,301	-	-
Additions to capital lease obligations	(42,440)	-	42,440	-	-
Capital lease payments	81,267	-	(81,267)	-	-
Balance, end of year	3,801,543	115,196	(1,784,679)	2,132,060	2,316,000

Headwaters Health Care Centre

Statement of cash flows year ended March 31, 2010

	2010	2009
	\$	\$
Operating activities		
Excess of expenses over revenues	(185,345)	(43,453)
Amortization		
Deferred capital contributions	(3,330,018)	(2,008,231)
Capital assets	3,840,967	2,145,509
Loss on disposal of capital assets	2,009	20,536
Employee future benefit costs	290,700	208,500
	618,313	322,861
Change in non-cash working capital items	724,812	932,196
	1,343,125	1,255,057
Investing activities		
Investments - restricted	(1,405)	25,205
Endowment fund	1,405	(25,205)
(Decrease) increase in sick leave benefits payable	(2,403)	1,708
Purchase of capital assets	(1,964,222)	(3,760,185)
Payments for future benefits for retired employees	(148,200)	(76,700)
Employee future benefits paid	72,627	30,968
Proceeds on disposal of capital assets	-	500
Decrease in other assets	37,500	19,491
	(2,004,698)	(3,784,218)
Financing activities		
Increase in restricted cash	(1,125,423)	(1,091,009)
Receipt of deferred capital grants	1,185,815	312,834
Receipt of deferred capital donations	1,411,486	1,557,634
Capital lease obligation assumed	42,440	1,208,857
Capital lease payments	(81,267)	(41,430)
	1,433,051	1,946,886
Net increase (decrease) in cash	771,478	(582,275)
Cash, beginning of year	2,327,848	2,910,123
Cash, end of year	3,099,326	2,327,848

Headwaters Health Care Centre

Notes to the financial statements

March 31, 2010

1. Description of business

Headwaters Health Care Centre (the "Corporation") is engaged in the operation of two public hospitals formed by voluntary amalgamation in 1993. During 2005, the Corporation assumed management oversight of a physician clinic which is located on the hospital property. Incorporated without share capital under the laws of Ontario, it is considered a registered charity under the *Income Tax Act* and, therefore, no provision for income taxes has been reflected in the accounts.

As provided under the *Local Health System Integration Act, 2006*, effective April 1, 2007, the Ministry of Health and Long-Term Care (the "Ministry") assigned to the Central West Local Health Integration Network ("LHIN"), all its rights, duties and obligations under its 2007-2008 Hospital Accountability Agreement with the Corporation. This agreement is aligned with the Ministry's transformation agenda and will enable the Central West LHIN to take on full responsibility for planning, funding (including negotiation of the Hospital Service Accountability Agreement for 2008 - 2010) and integrating health services in the Central West LHIN area, which includes the Corporation.

2. Change in accounting policies

Series of Sections 4400 – Not-for-profit organizations

In September 2008, the Canadian Institute of Chartered Accountants ("CICA") issued amendments to several of the existing sections on accounting, measurement and financial reporting by Not-for-profit organizations contained in the 4400 series of Sections of the CICA Handbook. The adoption of these amendments has not resulted in any change in how the Corporation accounts for its transactions.

Section 1000 – Financial statement concepts

On January 1, 2009, the Corporation adopted the amendments made to Section 1000 "Financial statements concepts". The amended section requires an entity to demonstrate that any expenditure that it wishes to present as an asset meets the conceptual definition of an asset or is permitted to be recorded as assets under specific CICA Handbook section, and any revenue that it wishes to present as liability must meet the definition of restricted contribution under Section 4410. The adoption of these amendments has not resulted in any change in how the Organization accounts for its transactions.

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

In January 2009, the Emerging Issues Committee issued the EIC-173 "Credit risk and the fair value of financial assets and financial liabilities". This abstract requires that an entity's own credit risk (for financial liabilities) and the credit risk of the counterparty (for financial assets) should be taken into account in determining the fair value of financial assets and financial liabilities. The adoption of EIC-173 did not have a material impact on the financial statements.

3. Significant accounting policies

Financial statement presentation

These financial statements have been prepared in accordance with accounting standards for Not-for-Profit organizations published by the Canadian Institute of Chartered Accountants using the deferral method of accounting for restricted contributions, and include the following significant accounting policies:

Revenue recognition

These financial statements reflect arrangements approved by the Ministry and Central West LHIN with respect to the year ended March 31, 2010.

Headwaters Health Care Centre

Notes to the financial statements

March 31, 2010

3. Significant accounting policies (continued)

Under the *Health Insurance Act* and Regulations thereto, the Corporation is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry and assigned to the LHIN. Operating funding is recognized as revenue in the period to which it relates. 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 subsequent period. To the extent to which the Ministry or LHIN funding has been received, with the stipulated requirement that the Corporation provides specific services, and these services have not yet been provided, the funding is deferred until such time as the services are performed and the monies spent. Some Ministry or LHIN revenue is tied to patient volume and activity. Revenue is, therefore, based on actual patient volumes.

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 are recognized as revenue in the year in which the related restricted expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

The financial statements do not include the assets, liabilities and activities of the following organizations:

Headwaters Health Care Centre Foundation;
Headwaters Health Care - Orangeville Auxiliary; and
Headwaters Health Care - Shelburne Auxiliary.

Description of Funds

The invested in capital assets fund represents the Corporation's capital assets less amounts financed by deferred contributions and capital leases.

The endowment fund is subject to externally imposed restrictions stipulating that principal of \$105,578 be retained intact. The excess of the fund balance over this principal amount of \$9,618 (2009- \$8,213) is comprised of accumulated investment income, which may be spent by the Corporation on a restricted basis. During the year, \$Nil (2009- \$27,518) was spent by the Corporation.

The unrestricted fund represents the ongoing operational activity of the Corporation.

Financial instruments

The Corporation has classified each of its financial instruments into the undernoted accounting categories. The category of an item determines its accounting treatment under the CICA's standards on the recognition, measurement and presentation of Financial Instruments for Not-for-Profit Organizations.

	<u>Category</u>
Cash	Held-for-trading
Investments - restricted	Loans and receivables
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

Held-for-trading items are measured at fair value, with changes in their fair value recognized in the Statement of operations in the current year. Available for sale items are measured at fair value and changes in the fair value are recognized in the Statement of changes in net assets. "Loans and receivables" are measured at amortized cost, using the effective interest method, net of any impairment. "Other liabilities" are carried at amortized cost, using the effective interest method. The Corporation determines fair value by reference to quoted bid and ask prices, as appropriate, where available. In the absence of an active market, fair values are based on internal valuation models, such as discounted cash flow analyses, using observable market inputs. Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates.

Headwaters Health Care Centre

Notes to the financial statements

March 31, 2010

3. Significant accounting policies (continued)

The carrying value of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to their relatively short-term maturity.

Restricted investments consist of guaranteed investment certificates which are classified as loans and receivables and are recorded at amortized cost plus accrued interest. The fair value of these guaranteed investment certificates approximates the recorded value.

Transaction costs are expensed as incurred.

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

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

Inventories

Inventories are valued at the lower of average cost and replacement cost.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Betterments which extend the useful life of an asset are capitalized. When a capital asset no longer contributes to the facility's ability to provide services, its' carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following rates:

Land improvements	4%-10%
Buildings	2%
Building service equipment	4%
Equipment	5%-20%

Gains or losses on the disposal of assets are included in the Statement of Operations and the cost and accumulated amortization related to those assets are removed from the accounts.

All leases entered into by the Corporation for the use or operation of equipment are classified as capital, to the extent that they meet the criteria for capitalization accordance with Canadian generally accepted accounting principles.

Capital donations

Donations relating to the acquisition of capital assets are deferred and amortized over the life of the related assets.

Capital grants

Capital grants received for the construction of or major renovation to facilities are deferred and amortized over the life of the related assets.

Vacation pay and accumulated sick leave credits

Vacation pay and payments to employees who have accumulated sick leave credits and are entitled to special payments upon separation or retirement are charged to hospital operations on an accrual basis in the year such credits are incurred.

Employee future benefits

The costs of post retirement 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 and losses are amortized using the corridor method.

Headwaters Health Care Centre

Notes to the financial statements

March 31, 2010

3. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Estimates are used when accounting for a number of items including, but not limited to provision for accounts receivable, deferred revenue, deferred capital contributions, and recording of accrued liabilities.

4. Accounts receivable

	2010	2009
	\$	\$
Insurers and patients	709,945	798,077
Refundable deposit	-	283,500
County of Dufferin- Capital	-	197,978
Physician clinic	158,430	151,095
MOHLTC, LHIN and Cancer Care Ontario	14,304	74,240
Due from Headwaters Foundation	33,781	33,119
Preschool speech	19,239	17,891
Diabetic Education - Pediatrics	4,061	3,953
University Health Network	800,000	-
Other	217,695	288,108
	1,957,455	1,847,961
Less allowance for doubtful accounts	60,000	60,000
	1,897,455	1,787,961

5. Capital assets

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	1,490,395	-	1,490,395	1,490,395
Land improvements	1,069,644	587,561	482,083	456,155
Buildings	45,162,660	12,786,177	32,376,483	34,272,213
Building service equipment	1,009,936	376,721	633,215	568,409
Equipment	26,566,274	20,455,705	6,110,569	6,184,327
Construction-in-progress	160,039	-	160,039	160,039
	75,458,948	34,206,164	41,252,784	43,131,538

The useful life of certain buildings was changed during the fiscal year ended March 31, 2010 to reflect the Hospital's expected use of these capital assets.

Headwaters Health Care Centre

Notes to the financial statements

March 31, 2010

6. Capital lease obligation

The Corporation has undertaken to lease certain operating equipment. Effective interest rates of the capital lease range from 4.6% to 5.5%.

Future minimum payments under capital leases are as follows:

Year ending March 31	\$
2011	290,235
2012	269,992
2013	246,643
2014	238,376
2015	196,956
2016 and thereafter	239,896
	<u>1,482,098</u>
Less amounts representing interest	(210,875)
Present value of minimum lease payments	1,271,223
Current portion	(237,384)
Long-term portion	<u>1,033,839</u>

Interest recorded in the Statement of Operations related to the capital lease obligation is \$54,452 (2009 - \$10,780).

7. Deferred capital contributions

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

			2010	2009
	Capital grants	Capital donations	Total	Total
	\$	\$	\$	\$
Balance, beginning of year	19,645,030	17,267,705	36,912,735	37,050,498
Additional contributions received (Note 9)	1,185,815	1,411,486	2,597,301	1,870,468
Less amounts amortized to revenue	(1,503,047)	(1,826,971)	(3,330,018)	(2,008,231)
	<u>19,327,798</u>	<u>16,852,220</u>	<u>36,180,018</u>	<u>36,912,735</u>

8. Other programs - revenues

	2010	2009
	\$	\$
County of Dufferin - Ambulance	4,368,026	4,262,961
Diabetic Education - Adult	272,606	264,100
Preschool Speech	128,219	147,622
Diabetic Education - Pediatric	50,271	59,542
Communication Intervention	37,074	46,008
Municipal Tax Assistance	10,575	10,575
	<u>4,866,771</u>	<u>4,790,808</u>

Headwaters Health Care Centre

Notes to the financial statements

March 31, 2010

9. Related entities

(i) *Headwaters Health Care Foundation*

The Corporation has an economic interest in the Headwaters Health Care Foundation (the "Foundation"). The Foundation was established to raise funds for the use of the Corporation. The Foundation is incorporated under the *Canada Corporations Act* and is a registered charity under the *Income Tax Act*.

The net assets and results from operations of the Foundation are not included in the statement of the Corporation. Separate financial statements for the Foundation are available upon request.

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

- a) \$1,253,520 (2009 - \$1,348,427) was received from the Foundation during the year and recorded as deferred capital contributions related to capital assets. \$Nil (2009 - \$48,253) was received from the Foundation during the year and recorded as donations in other sources of revenue.
- b) No amounts for rental or administration were charged or received during the year.

(ii) *Headwaters Health Care - Orangeville Auxiliary and Headwaters Health Care - Shelburne Auxiliary*

The Auxiliaries are volunteer organizations registered as charities under the *Income Tax Act*. The Auxiliaries undertake a wide range of fundraising and volunteer activities for the benefit of the Corporation.

The net assets and results of operations of the Auxiliaries are not included in the financial statements of the Corporation.

10. Pension plan

The Corporation is a member of the Hospitals of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, which provide the highest earnings.

The Plan's assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.9% of annualized earnings contributed by employees (9.2% of annualized earnings above the respective year's maximum pensionable earnings), required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee's contributions. The employer currently contributes 126% of the employee's contribution.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2009 indicates the plan is 102% funded. Contributions to the Plan made during the year by the Corporation on behalf of its employees amounted to \$2,268,544 (2009 - \$2,176,152) and are included in employee benefits expense in the statement of operations.

Headwaters Health Care Centre

Notes to the financial statements

March 31, 2010

11. Employee future benefits

The Corporation provides dental, medical, drug, vision and survivor coverage benefits to its employees. The Corporation participates in an unfunded benefit plan and accrues its obligations under employee benefit plans and related costs as they are earned. For all active employees, the accrued benefit obligation was calculated using the projected benefit method pro-rated on service.

The measurement date for the accrued benefit obligation, as calculated in the Corporation's last actuarial valuation for post retirement benefits was performed as at April 1, 2009. The Corporation included a cash payment of \$148,200 (March 31, 2009 - \$76,700) in its benefit expense for the year.

	2010	2009
	\$	\$
Accrued benefit obligation	2,462,400	1,353,400
Less unamortized past service costs	(63,700)	(95,700)
Unamortized actuarial experience (losses) gains	(659,200)	339,300
Accrued benefit liability on the statement of financial position	1,739,500	1,597,000

	2010	2009
	\$	\$
Net benefit costs recognized		
Current service costs	99,700	87,200
Interest cost	153,700	89,300
Amortization of past service costs	32,000	32,000
Adjustment for experience losses	5,300	-
	290,700	208,500

	2010	2009
	\$	\$
Accrued benefit liability, beginning of year	1,597,000	1,465,200
Expense	290,700	208,500
Benefits paid	(148,200)	(76,700)
Accrued benefit liability on the statement of financial position	1,739,500	1,597,000

The significant actuarial assumptions adopted in estimating the Corporation's accrued benefit obligation are as follows:

	2010	2009
Discount rate for accrued benefit obligation and current service	7.75%	7.75%
Inflation rate	5.75%	5.75%
Dental benefits escalation	4.00%	4.00%
Medical benefits cost escalation - external health care	See (a)	See (b)

(a) 9.0% in fiscal 2011 decreasing 0.5% per annum to an ultimate rate of 5.00% per annum.

(b) 9.0% in fiscal 2008 decreasing 0.5% per annum to an ultimate rate of 5.00% per annum.

Headwaters Health Care Centre

Notes to the financial statements

March 31, 2010

11. Employee future benefits (continued)

Sensitivity Analysis

Assumed health and dental care costs trend rates have a significant effect on the amounts reported for the health and dental care plans. A one-percentage change in assumed health and dental care cost trend rates would have the following effects for Fiscal 2010.

	Valuation assumptions	1% increase	1% decrease
	\$	\$	\$
Total of service and interest cost for fiscal 2010	253,400	29,500	(25,100)
Accrued benefit obligation as at March 31, 2010	2,462,400	226,000	(195,600)

12. Physician programs

Hospitals on Call Coverage

Effective September 1, 2000, the Corporation entered into an agreement with the Ministry for Hospital on Call Coverage. For the year ending March 31, 2010 the revenues and expenses included in the Statement of Operations are as follows:

	2010	2009
	\$	\$
Funding from the Ministry	1,335,545	1,451,980
Physician remuneration	(1,335,545)	(1,451,980)
	-	-

13. Line of credit

The Corporation has an unused line of credit of \$3,000,000 at the bank's prime rate plus 0.5%.

14. Commitments, contingencies and guarantees

- On June 19, 1998, the Corporation signed a Partnership of Understanding with Royal Victoria Hospital of Barrie (RVH) for shared access to the MEDITECH Health Care Information System. The Corporation has committed to pay RVH annual support fees of \$206,000 (2009 - \$96,408).
- The Corporation is a member of the Healthcare Insurance Reciprocal of Canada ("HIROC") and therefore has an economic interest in HIROC. HIROC is a provider of healthcare liability insurance which provides for the pooling of liability insurance risks of its members. All members of the pool pay annual premiums, which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they are members. Members are also entitled to a refund, should a surplus exist. No negative reassessments have been made to March 31, 2010.

Since its inception in 1987, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income, less the obligation for claims reserves and expenses and operating expenses. Each subscriber who has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors at HIROC.

Headwaters Health Care Centre

Notes to the financial statements

March 31, 2010

14. Commitments, contingencies and guarantees (continued)

- c) The nature of the Corporation's activities is such that there is usually litigation pending or in progress at any time. With respect to claims at March 31, 2010, management believes the Corporation has valid defences and appropriate insurance coverage in place. In the event that any claims are successful, management believes that such claims are not expected to have a material effect on the Corporation's financial position.
- d) In the normal course of business, the Corporation has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Corporation to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Corporation from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Corporation has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the Statement of Financial Position with respect to these agreements.

15. Capital disclosures

The Corporation considers its net assets, capital leases, line of credit and deferred capital contributions as its capital.

Net assets

As a not-for-profit organization, the Corporation operations are reliant on revenues generated annually. The Corporation has accumulated net assets over its history to March 31, 2010 of \$2,132,060 (2009 - \$2,316,000) which are presented in the statement of financial position as net assets.

The majority of this amount relates to invested in capital assets which represent accumulated net assets which have been dedicated to the Corporation's capital asset acquisition and development.

A further portion represents financial resources which are subject to external restrictions regarding the use they may be put to in the future. The Corporation manages an endowment fund of \$115,196 (2009 - \$113,791) with conditions stipulated in donor agreements concerning the use of the funds and related income. The Corporation has complied with the requirements of these restricted funds.

Debt

The Corporation's capital management program also utilizes equipment financing which is comprised principally of capital lease borrowing arrangement described in Note 6. In addition, the Corporation maintains an available line of credit for periodic short-term requirements (Note 13). At March 31, 2010, the Corporation was in compliance with all covenants applicable to its debt instruments.

Deferred capital contributions

Capital grants and capital donations are treated as deferred capital contributions and amortized over the life of the related capital assets. At March 31, 2010, the Corporation was in compliance with all restrictions applicable to these funding sources.