

Financial Statements of

**ATLANTIC HEALTH SCIENCES
CORPORATION**

March 31, 2008

ATLANTIC HEALTH SCIENCES CORPORATION
Financial Statements
year ended March 31, 2008

	Page
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Operations – Combined Funds	3
Statement of Changes in Net Assets	4
Statement of Cash Flows	5
Notes to the Financial Statements	6

Deloitte & Touche LLP
Brunswick House
44 Chipman Hill, 7th Floor
P.O. Box 6549
Saint John NB E2L 4R9
Canada
Tel: (506) 632-1080
Fax: (506) 632-1210
www.deloitte.ca

Independent Auditors' Report

The Minister of Health, Province of New Brunswick in the capacity as the Board of Directors,
Regional Health Authority 2

We have audited the statement of financial position of the Atlantic Health Sciences Corporation as at March 31, 2008 and the statements of operations - combined funds, changes in net assets and 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 the Corporation as at March 31, 2008 and the results of its operations, the changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.


Chartered Accountants
May 20, 2008

ATLANTIC HEALTH SCIENCES CORPORATION
(Incorporated under the laws of the Province of New Brunswick)
Statement of Financial Position
as at March 31, 2008

	2008	2007
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,017,380	\$ 1,981,266
Accounts receivable (Note 5)	33,334,579	36,657,560
Inventory (Note 6)	2,567,179	2,796,680
Prepaid expenses	<u>2,717,415</u>	<u>1,202,662</u>
	39,636,553	42,638,168
CONTRIBUTION RECEIVABLE (Note 7)	<u>1,410,387</u>	<u>1,858,774</u>
INVESTMENTS		
Accounts receivable	-	4,328,492
Marketable securities (Note 8)	13,731,116	12,494,429
Health Research Endowment Fund (Note 9)	-	2,058,141
Sussex Health Centre investment (Note 10)	-	261,105
	<u>13,731,116</u>	<u>19,142,167</u>
CAPITAL ASSETS (Note 11)	<u>38,879,813</u>	<u>44,035,743</u>
	<u>\$ 93,657,869</u>	<u>\$ 107,674,852</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Notes 12 & 14)	\$ 50,117,920	\$ 52,011,418
Short-term borrowing (Note 13)	4,000,980	4,007,825
Designated funds (Note 15)	4,407,755	3,750,840
Deferred revenue	176,292	457,363
Current portion of long-term debt (Note 16)	<u>473,208</u>	<u>448,387</u>
	59,176,155	60,675,833
LONG-TERM DEBT (Note 16)	<u>1,071,668</u>	<u>1,544,876</u>
EMPLOYEE FUTURE BENEFITS (Note 17)	<u>1,398,096</u>	<u>1,551,900</u>
DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS (Note 18)	<u>34,654,886</u>	<u>39,149,729</u>
NET ASSETS		
Unrestricted	(19,506,067)	(17,324,115)
Board equity	12,478,290	14,515,185
Investment in capital assets (Note 19)	4,224,927	4,886,014
Endowments	592,632	2,675,430
Accumulated other comprehensive loss (Note 2)	<u>(432,718)</u>	<u>-</u>
	(2,642,936)	4,752,514
	<u>\$ 93,657,869</u>	<u>\$ 107,674,852</u>
COMMITMENTS AND CONTINGENCY (Notes 22 & 23)		

Approved by the Minister of Health in the capacity as the Board of Directors

ATLANTIC HEALTH SCIENCES CORPORATION

Statement of Operations - Combined Funds

year ended March 31, 2008

Page 3

	2008	2007
Revenues		
Department of Health	\$ 360,916,287	\$ 331,429,358
Federal	8,289,434	8,360,063
Patient recoveries	6,152,328	7,149,910
Recoveries and sales	4,695,876	4,146,562
Board generated	5,933,055	9,914,167
Amortization of deferred contributions related to capital assets (Note 18)	8,808,794	7,212,172
Total revenues	<u>394,795,774</u>	<u>368,212,232</u>
Expenses		
Nursing inpatient services	109,624,879	104,344,072
Non-inpatient services	34,900,608	33,678,308
Community services	31,862,581	31,013,302
Diagnostic and therapeutic services	65,760,632	59,901,622
Medicare	38,550,223	36,058,603
Research and education	5,463,117	5,215,953
Support services	89,866,132	82,427,843
Administration services	9,057,491	7,903,563
Ancilliary services	1,248,410	992,803
Board sponsored	9,703,111	5,197,534
Amortization of capital assets	9,814,426	8,265,103
Total expenses	<u>405,851,610</u>	<u>374,998,706</u>
Deficit from operations for the year before undernoted	(11,055,836)	(6,786,474)
Adjustment of prior year-end settlement	19,859	(16,006)
Working capital grant from Province of New Brunswick	4,078,335	8,851,532
Net (deficit) surplus for the year	<u>\$ (6,957,642)</u>	<u>\$ 2,049,052</u>
Other comprehensive income (loss)		
Change in unrealized gains and losses on available-for-sale investments:		
Unrealized gains and losses arising during the year	\$ (886,308)	\$ -
Reclassifications in net (deficit) surplus of gains and losses realized on available for sale investments	(63,515)	-
Other comprehensive loss for the year	<u>\$ (949,823)</u>	<u>\$ -</u>
Comprehensive (deficit) surplus for the year	<u>\$ (7,907,465)</u>	<u>\$ 2,049,052</u>

ATLANTIC HEALTH SCIENCES CORPORATION

Statement of Changes in Net Assets

year ended March 31, 2008

	Investment In Capital Assets (Note 19)		Endowments and Restricted Funds		Unrestricted		Board		Accumulated Other Comprehensive Loss (Note 2)		Total Equity	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Balance at beginning of year	\$ 4,886,014	\$ 5,512,014	\$ 2,675,430	\$ 2,577,860	\$ (17,324,115)	\$ (14,867,040)	\$ 14,515,185	\$ 9,383,058	\$ -	\$ -	\$ 4,752,514	\$ 2,605,892
Changes in accounting policies (Note 2)	-	-	-	-	-	-	(1,692,350)	4,716,633	-	-	517,105	-
Net surplus (deficit) for the year	(1,005,632)	(1,052,931)	(2,077,708)	-	(2,181,952)	(1,614,650)	(1,692,350)	4,716,633	-	-	(6,957,642)	2,049,052
Reallocation of capital payment	-	-	-	-	-	(814,938)	-	814,938	-	-	-	-
Net change during the year	-	-	-	-	-	-	-	-	(949,823)	-	(949,823)	-
Endowment and restricted funds (expenditures) contributions	344,545	399,444	(5,090)	97,570	-	-	(344,545)	(399,444)	-	-	(5,090)	97,570
Expenditures for capital assets	-	27,487	-	-	-	(27,487)	-	-	-	-	-	(27,487)
Net change in investment in capital assets	-	-	-	-	-	-	-	-	-	-	-	27,487
Balance at end of year	\$ 4,224,927	\$ 4,886,014	\$ 592,632	\$ 2,675,430	\$ (19,506,067)	\$ (17,324,115)	\$ 12,478,290	\$ 14,515,185	\$ (432,718)	\$ -	\$ (2,642,936)	\$ 4,752,514

ATLANTIC HEALTH SCIENCES CORPORATION

Statement of Cash Flows

year ended March 31, 2008

Page 5

	<u>2008</u>	<u>2007</u>
FUNDS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net (deficit) surplus for the year	\$ (6,957,642)	\$ 2,049,052
Amortization of capital assets	9,814,426	8,265,103
Amortization of deferred contributions for capital assets	(8,808,794)	(7,212,172)
Gain on disposal of investments	(63,515)	(631,922)
Write-down of Sussex Heath Centre investment (Note 10)	261,105	-
(Decrease) increase in employee future benefits	(67,113)	354,088
	<u>(5,821,533)</u>	<u>2,824,149</u>
Change in non-cash working capital items	968,462	(1,605,808)
	<u>(4,853,071)</u>	<u>1,218,341</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(4,658,496)	(9,869,757)
Proceeds on disposal of investments	6,098,714	21,009,249
Purchase of investments	(5,646,463)	(24,949,098)
Collection of Investments - accounts receivable	4,328,492	-
	<u>122,247</u>	<u>(13,809,606)</u>
FINANCING ACTIVITIES		
Increase in deferred contributions related to capital assets (Note 18)		
- Province of New Brunswick	3,100,887	4,319,819
- Publicly funded	1,213,064	5,150,494
Endowment (expenditures) contributions	(5,090)	97,570
(Decrease) increase in short-term borrowing (Note 13)	(6,845)	4,007,825
Repayment of long-term debt	(448,387)	(452,355)
Repayment of other long-term liabilities	(86,691)	(62,238)
Repayment of capital lease	-	(27,487)
	<u>3,766,938</u>	<u>13,033,628</u>
NET CHANGE IN CASH & CASH EQUIVALENTS DURING THE YEAR	(963,886)	442,363
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,981,266</u>	<u>1,538,903</u>
AT END OF YEAR	<u>\$ 1,017,380</u>	<u>\$ 1,981,266</u>

1. PURPOSE OF THE CORPORATION

Regional Health Authority 2 was incorporated under the laws of the Province of New Brunswick on April 1, 2002 and operates as Atlantic Health Sciences Corporation (the "Corporation"). The principal activity of the Corporation is the provision of health care services to the Southern Region of New Brunswick. The Corporation operates twenty-nine facilities from Sussex to St. Stephen, including the Fundy Isles.

On March 11, 2008 the Minister of Health for the Province of New Brunswick announced that Regional Health Authority 2 will be merged with three other Health Authorities to form a new entity effective September 1, 2008. Also at this date the Minister assumed the responsibilities of the Board of Directors of the Corporation.

2. CHANGES IN ACCOUNTING POLICIES

Financial instruments

The Corporation adopted the following recommendations of CICA Handbook effective April 1, 2007:

- a) Section 3855, *Financial Instruments – Recognition and Measurement*. This Section describes the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the financial statements. Under the new standard, financial assets and liabilities are initially recorded at fair value. Subsequently, financial instruments classified as financial assets or liabilities held for trading, financial assets available-for-sale have to be measured at fair value on the balance sheet at each reporting date, whereas other financial instruments are measured at amortized cost using the effective interest method.
- b) Section 1530, *Comprehensive Income*. This Section describes reporting and disclosure recommendations with respect to comprehensive income and its components. Comprehensive income is the change in net assets, which results from transactions and other events and circumstances from net assets sources. These transactions and events include unrealized gains and losses resulting from changes in fair value of investments classified as available-for-sale.
- c) Section 3861, *Financial instruments – Disclosure and Presentation*. This Section establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

These new standards were applied retroactively as of April 1, 2007 without restatement of prior years' figures. As a result of this change, an adjustment was made to increase the carrying value of the marketable securities classified as available for sale and accumulated other comprehensive income in the amount of \$517,105, to reflect the revaluation of the marketable securities to fair value.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the accounting standards for not-for-profit organizations published by the Canadian Institute of Chartered Accountants, using the deferral method of reporting restricted contributions.

Revenue recognition

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

The Corporation 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 is related to a future period, it is deferred and recognized in that subsequent period.

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 recognized as 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 endowment 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.

Inventory

Stores and pharmacy inventories are valued at average cost.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Corporation's designation of such instruments. Settlement date accounting is used.

Classification

Cash and cash equivalents	Held for trading
Accounts receivable	Loans and receivables
Investments in marketable securities	Available-for-sale
Bank loans and 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.

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 accumulated other comprehensive income until realized when the cumulative gain or loss is transferred to Board generated revenue.

Available-for-sale financial assets that do not have quoted market prices in an active market are recorded at cost.

Interest on interest-bearing available-for-sale financial assets is calculated using the effective interest method.

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

*Financial instruments (continued)*Other liabilities

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

Derivatives

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

Transaction costs

Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, 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.

Effective interest method

The Corporation uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

Capital assets

Capital assets are recorded at cost and are amortized on a straight-line basis over the estimated useful life of the assets. The Corporation has not recorded in these financial statements land and buildings which it utilizes but are owned by other entities. Capital assets are amortized as follows:

<u>Asset</u>	<u>Estimated Useful Life</u>
Equipment	5 - 25 years
Vehicles	5 years
Buildings	20 years

Vacation pay and overtime

Vacation pay and overtime is accrued to March 31, 2008. The related funding from the Department of Health is recorded when received.

Sick pay benefits

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

The Corporation 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.

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

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

4. FINANCIAL INSTRUMENTS

Credit risk

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

The Corporation has approximately 76 % (2007 - 68%) of its receivables with the Province of New Brunswick.

Fair value

The carrying value of, accounts receivable, accounts payable and accrued liabilities approximate fair value due to the relatively short-term maturities of these instruments. The carrying amount of long-term debt approximates fair value.

ATLANTIC HEALTH SCIENCES CORPORATION

Notes to the Financial Statements

year ended March 31, 2008

Page 11

5. ACCOUNTS RECEIVABLE

	<u>2008</u>	<u>2007</u>
Province of New Brunswick		
Medicare	\$ 3,338,721	\$ 3,782,317
Equipment grants	1,871,133	2,737,639
Ambulance services equipment	-	3,934,004
Provincial plan	15,779,975	6,086,620
Working capital grant	4,078,335	8,851,532
	<u>25,068,164</u>	<u>25,392,112</u>
Patient, net of allowance for doubtful accounts of \$773,148 (2007 - \$676,417)	2,292,647	3,568,823
Related entities	1,761,067	2,438,264
HST	2,522,816	2,808,144
Other	1,689,885	2,450,217
	<u>\$ 33,334,579</u>	<u>\$ 36,657,560</u>

6. INVENTORY

	<u>2008</u>	<u>2007</u>
Pharmacy	\$ 869,327	\$ 1,082,590
Supplies	1,697,852	1,714,090
	<u>\$ 2,567,179</u>	<u>\$ 2,796,680</u>

7. CONTRIBUTION RECEIVABLE

In fiscal 2003, Veterans Affairs Canada committed \$3,534,251 for construction of a building for the care of veterans to be paid over an eight (8) year period via an increase to the operating per diem. The amount of principal repayment during the year ended March 31, 2008 was \$ 448,387 (2007 – \$424,868).

8. MARKETABLE SECURITIES

	<u>2008</u>	<u>2007</u>
Fixed income securities	\$ 7,078,455	\$ 5,576,147
Canadian denominated stocks	2,654,626	2,921,941
U.S. denominated stocks	3,998,017	3,834,970
Amount held in cash	18	161,371
	<u>\$ 13,731,116</u>	<u>\$ 12,494,429</u>

As discussed in Note 2 marketable securities are now recorded at fair value. In 2007 the marketable securities were recorded at cost. The fair value of the securities as at March 31, 2007 was \$13,011,534.

ATLANTIC HEALTH SCIENCES CORPORATION

Notes to the Financial Statements

year ended March 31, 2008

Page 12

9. HEALTH RESEARCH ENDOWMENT FUND

In fiscal 2006 and 2007, the Corporation transferred funds for the purposes of Health Research to the Saint John Regional Hospital Foundation. On April 30, 2007 the Corporation transferred ownership of these funds to the Saint John Regional Hospital Foundation to be maintained as an endowment.

10. SUSSEX HEALTH CENTRE INVESTMENT

Prior to regionalization in 1992, the Sussex Health Centre contributed \$300,000 to Sussex Health Centre Services Inc. to be used in the construction of an office building to be rented to health care professionals. In consideration of the contribution, Sussex Health Centre Services Inc. committed to pay the Corporation 50% of any net income generated from the building. There has not been any revenue realized on this investment since inception and, accordingly, it was deemed prudent to remove the value of the asset as it has no financial value at this time. Any future revenue will be recorded as discretionary revenue when received.

11. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2008</u>	<u>2007</u>
Equipment and vehicles	\$ 104,609,920	\$ 72,713,480	\$ 31,896,440	\$ 36,651,632
Buildings	8,720,136	1,736,763	6,983,373	7,384,111
	<u>\$ 113,330,056</u>	<u>\$ 74,450,243</u>	<u>\$ 38,879,813</u>	<u>\$ 44,035,743</u>

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2008</u>	<u>2007</u>
Accounts payable	\$ 19,416,116	\$ 23,166,960
Salaries and benefits	15,908,675	14,871,528
Accrued vacation pay	14,793,129	13,972,930
	<u>\$ 50,117,920</u>	<u>\$ 52,011,418</u>

13. SHORT-TERM BORROWING

The Corporation has a \$ 4,000,000 short term loan with the Province of New Brunswick bearing interest at 1.85 % repayable in full on April 25, 2008.

ATLANTIC HEALTH SCIENCES CORPORATION**Notes to the Financial Statements**

year ended March 31, 2008

Page 13

14. ESTIMATED YEAR-END ADJUSTMENT**Department of Health**

	<u>Actual</u>	<u>Budget</u>	<u>Due (to) from Province</u>
Transferable programs			
Total transferable expenses	\$ 273,498,012	\$ 263,896,979	\$ -
Other recoveries and sales	1,935,449	1,202,100	-
Net patient income	6,244,672	7,230,139	985,467
Total for transferable programs			<u>985,467</u>
Non-transferable programs			<u>(1,455,690)</u>
Total			<u><u>\$ (470,223)</u></u>

The estimated year-end settlement is subject to the approval of the Department of Health of the Province of New Brunswick and is included in accounts payable. Any adjustments are recorded in the year such determinations are made.

15. DESIGNATED FUNDS

The Corporation holds monies for the following purposes:

	<u>2008</u>	<u>2007</u>
Patient and other funds	\$ 1,052,527	\$ 939,490
Educational funds	330,159	340,924
Research funds	3,025,069	2,470,426
	<u>\$ 4,407,755</u>	<u>\$ 3,750,840</u>

The Corporation is bound to follow the directions of the beneficial holders of these accounts and, as such, these funds are not available to the Corporation.

ATLANTIC HEALTH SCIENCES CORPORATION**Notes to the Financial Statements**

year ended March 31, 2008

Page 14

16. LONG-TERM DEBT

	<u>2008</u>	<u>2007</u>
Province of New Brunswick	\$ 1,544,876	\$ 1,993,263
Total long-term debt	1,544,876	1,993,263
Less: current portion	473,208	448,387
	<u>\$ 1,071,668</u>	<u>\$ 1,544,876</u>

The loan from the Province of New Brunswick is to be repaid over 8 years from an increase in the operational funding from Veterans Affairs Canada. The loan is repayable in monthly installments of \$45,419, including principal and interest, until April 14, 2011 and bears interest at 5.4 %.

Principal repayment requirements are as follows for the year ending in:

	\$
2009	473,208
2010	499,403
2011	527,049
2012	45,216
	<u>1,544,876</u>
Less: current portion	473,208
Balance of obligation	<u>1,071,668</u>

ATLANTIC HEALTH SCIENCES CORPORATION

Notes to the Financial Statements

year ended March 31, 2008

Page 15

17. EMPLOYEE FUTURE BENEFITS

a) CEO 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.

Total actuarial value at March 31, 2007	\$	1,359,489
Change during the year		(47,672)
Less: payments made 2007 - 2008		<u>(84,074)</u>
Balance as at March 31, 2008	\$	<u>1,227,743</u>

b) Other Pension

The Corporation entered into additional 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 at March 31, 2007	\$	192,411
Change during the year		(19,441)
Less: payments made 2007-2008		<u>(2,617)</u>
Balance as at March 31, 2008	\$	<u>170,353</u>
Total Employee Future Benefits	\$	<u>1,398,096</u>

18. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS

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. The changes in the deferred contributions balance during the year are as follows:

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 39,149,729	\$ 36,891,588
Additional contributions received:		
- government funded	3,100,887	4,319,819
- publicly funded	1,213,064	5,150,494
Less: amortized to revenue	<u>(8,808,794)</u>	<u>(7,212,172)</u>
Balance, end of year	<u>\$ 34,654,886</u>	<u>\$ 39,149,729</u>

ATLANTIC HEALTH SCIENCES CORPORATION**Notes to the Financial Statements**

year ended March 31, 2008

Page 16

19. INVESTMENT IN CAPITAL ASSETS

Investment in capital assets is as follows:

	<u>2008</u>	<u>2007</u>
Capital assets	\$ 38,879,813	\$ 44,035,743
Less amounts funded by:		
Deferred contributions	34,654,886	39,149,729
	<u>\$ 4,224,927</u>	<u>\$ 4,886,014</u>

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

	<u>2008</u>	<u>2007</u>
Deficiency of revenue over expenses		
Amortization of deferred contributions	\$ 8,808,794	\$ 7,212,172
Less: Amortization of capital assets	9,814,426	8,265,103
	<u>\$ (1,005,632)</u>	<u>\$ (1,052,931)</u>
Net change in investment in capital assets		
Purchase of capital assets	\$ 4,658,496	\$ 9,869,758
Less amounts funded by:		
Deferred contributions	4,313,951	9,470,313
	344,545	399,445
Add repayment of capital leases	-	27,487
	<u>\$ 344,545</u>	<u>\$ 426,932</u>
Change in net assets invested in capital assets	<u>\$ (661,087)</u>	<u>\$ (625,999)</u>

ATLANTIC HEALTH SCIENCES CORPORATION

Notes to the Financial Statements

year ended March 31, 2008

Page 17

20. RELATED ENTITIES

The following Foundations' purpose is to raise and distribute funds for the enhancement of services and facilities.

Foundation	Incorporation Year	Donations	
		2008	2007
Saint John Regional Hospital Foundation Inc.	1980	\$ 843,897	\$ 4,346,688
St. Joseph's Hospital Foundation Inc.	1982	96,134	472,919
Charlotte County Hospital Foundation Inc.	1992	70,469	83,035
Sussex Health Services Inc.	1991	15,390	63,815

The following Auxiliaries are not-for profit organizations that distribute funds to the hospitals to be used in the enhancement of services and facilities.

Auxiliary	Incorporation Year	Donations	
		2008	2007
Saint John Regional Hospital Auxiliary	1992	\$ 140,791	\$ 111,650
Charlotte County Hospital Ladies Auxiliary	1960	11,123	-

Fundy Linen Service Inc.

Fundy Linen Service Inc. was incorporated in 1977 to construct, own and operate a laundry facility for the purpose of providing central laundry services to public hospitals and similar institutions. The Corporation controls the Board of Directors of Fundy Linen Service Inc. During the year, the Corporation purchased services of \$5,799,696 (2007 – \$5,353,292) from Fundy Linen Service Inc.

Province of New Brunswick

During the year ended March 31, 2008, the Department of Health provided the Corporation funding of \$365,014,481 (2007 – \$340,264,884).

During the year ended March 31, 2008, the Department of Supply and Services incurred \$ 613,937 (2007 – \$ 926,364) in capital improvements on behalf of the Corporation. This amount has not been reflected in these statements.

Certain employees of the Corporation are entitled to pensions and/or post retirements benefits upon their retirement. These benefits are the responsibility of and are funded by the Province of New Brunswick and, as such, these liabilities have not been recorded by the Corporation.

At March 31, 2008 the Corporation's accrued vacation liability had increased \$ 820,199 over the previous fiscal year. Related funding from the Department of Health is recorded when received.

21. STATEMENT OF CASH FLOWS

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

	<u>2008</u>	<u>2007</u>
	\$	\$
Interest received	300,496	255,704
Interest paid	160,330	177,335

22. COMMITMENTS

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

The Corporation has signed an agreement with Eclipsys Corporation to replace its Clinical Information System totalling \$ 14,181,024. The multi-year project has been jointly funded by the Department of Health and the Corporation. As at March 31, 2008 the outstanding commitment is \$11,676,364.

The Corporation has signed an agreement with GE Healthcare for service support requirements of 78 pieces of diagnostic imaging equipment in the amount of \$7,815,670. The service support contract commenced on October 1, 2007 and is for five years. As at March 31, 2008 the outstanding commitment is \$6,296,169.

23. FUTURE ACCOUNTING CHANGES**a) Financial instruments**

In December 2006, the CICA issued Section 3862, Financial Instruments - Disclosures; Section 3863, Financial Instruments - Presentation; and Section 1535, Capital Disclosures that will be effective for the Corporation beginning April 1, 2008. Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments for the Corporation's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the Corporation is exposed during the period and at the balance sheet date, and how the Corporation manages those risks. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about a Corporation's objectives, policies and processes for managing capital.

The Corporation does not expect that the adoption of this new Section will have a material impact on its financial statements.