

Financial Statements

Geraldton District Hospital

March 31, 2010

Geraldton District Hospital

Contents

	Page
Auditors' Report	1
Balance Sheet	2
Statement of Operations	3
Statement of Changes in Fund Balances	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 15

CALAM RUSCIO ROSSI

CHARTERED ACCOUNTANTS LLP

ALEXANDER B. CALAM, CA, PARTNER
JOSEPH A. RUSCIO, CA, PARTNER
ANTHONY S. ROSSI, CA, PARTNER

369 QUEEN STREET E., SUITE 302
SAULT STE. MARIE, ON
P6A 1Z4
TEL: (705) 253-0110
FAX: (705) 253-1771

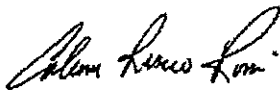
AUDITORS' REPORT

To the Members and the Board of Directors:

We have audited the balance sheet of the Geraldton District Hospital as at March 31, 2010 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Hospital'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 from 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 the 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 Hospital as at March 31, 2010 and the results of its operations and cash flows for the year then ended in accordance with accounting principles recommended for government by the Canadian Institute of Chartered Accountants and disclosed in the summary of significant accounting policies.



Chartered Accountants LLP
Licensed Public Accountants
Sault Ste. Marie, Canada
May 31, 2010

**Geraldton District Hospital
Balance Sheet**



As at March 31, 2010

	2010	2009
	\$	\$
ASSETS		
Current		
Cash	1,517,074	1,751,123
Accounts receivable (note 3)	124,979	89,194
Receivable from Ontario Ministry of Health and Long-Term Care / North West Local Health Integration Network (note 3)	38,689	38,106
Inventory of supplies	245,889	160,087
Prepaid expenses	79,461	96,942
Total current assets	2,006,092	2,135,452
Restricted assets		
Restricted Benefits Fund	25,317	76,173
Capital Expenditure Reserve Fund	4,043,633	4,035,955
Total restricted assets	4,068,950	4,112,128
Property, plant and equipment, net (note 4)	9,871,245	9,297,981
	15,946,287	15,545,561
LIABILITIES AND FUND BALANCES		
Current		
Accounts payable and accrued liabilities (note 5)	1,197,154	949,613
Deferred capital contributions (note 6)	3,906,472	4,079,325
Employee future benefits (note 7)	450,800	435,400
Fund balances		
Investment in property, plant and equipment (note 8a)	5,964,773	5,218,656
Used for operating purposes	358,138	750,439
Internally Restricted		
Restricted Benefits Fund	25,317	76,173
Capital Expenditure Reserve Fund	4,043,633	4,035,955
Total fund balances	10,391,861	10,081,223
	15,946,287	15,545,561

Commitments and contingencies (note 12)

See accompanying notes to the financial statements.

On behalf of the Board


 Director
 Richard Mannisto, Chair 


 Director
 Kurt Pristanski, Secretary 

Geraldton District Hospital
Statement of Operations
Year Ended March 31, 2010

	2010	2009
	\$	\$
REVENUE		
Ambulance	5,900	11,505
Amortization of deferred capital contributions	383,236	374,718
Co-payments revenue	426,451	461,455
Interest income	57,052	138,964
Ontario Ministry of Health and Long-Term Care / North West Local Health Integration Network	8,996,950	8,778,588
Other programs (note 14)	430,075	487,629
Other revenue	327,922	408,173
Other sources		
In-patient services	10,947	14,225
Out-patient services	197,629	213,797
Preferred accomodation differential	-	1,190
	10,836,162	10,890,244
EXPENSES		
Amortization		
Buildings and building service equipment	528,069	479,948
Equipment, furnishings and computer system	363,770	362,339
Bad debts	3,714	1,569
Drugs	83,457	117,504
Employee benefits	1,449,613	1,402,001
Medical and surgical supplies	110,153	105,756
Medical staff remuneration	78,478	70,322
Other programs (note 14)	429,485	494,520
Salaries and wages	5,559,157	5,439,534
Supplies and other expense	1,919,628	1,938,171
	10,525,524	10,411,664
Excess of revenue over expenses before the following	310,638	478,580
Loss on disposal of property, plant and equipment	-	3,728
Excess of revenue over expenses for the year	310,638	474,852

See accompanying notes to the financial statements.

Geraldton District Hospital
Statement of Changes in Fund Balances
Year Ended March 31, 2010

	2010					2009
	Investment in Property, Plant and Equipment \$ (note 8)	Used for Operating Purposes \$	Restricted Benefits Fund \$	Capital Expenditure Reserve Fund \$	2010	2009
Balance, beginning of year	5,218,656	750,439	76,173	4,035,955	10,081,223	9,606,371
Excess (shortfall) of revenue over expenses for the year	(509,185)	819,823	-	-	310,638	474,852
Increase (decrease) in Restricted Benefits Fund	-	50,856	(50,856)	-	-	-
Increase in Capital Expenditure Reserve	-	(7,678)	-	7,678	-	-
Net change in investment in property, plant and equipment	1,255,302	(1,255,302)	-	-	-	-
Balance, end of year	5,964,773	358,138	25,317	4,043,633	10,391,861	10,081,223

See accompanying notes to the financial statements.

Geraldton District Hospital**Statement of Cash Flows**

As at March 31, 2010

	2010	2009
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	310,638	474,852
Items not requiring cash from operations		
Amortization	893,364	843,704
Amortization of deferred capital contributions	(384,179)	(377,776)
Employee future benefits	15,400	25,700
Loss on disposal of property, plant and equipment	-	3,728
Change in non-cash operational balances (note 10)	142,852	(194,445)
Cash provided by operating activities	978,075	775,763
INVESTMENT ACTIVITIES		
Additions to property, plant and equipment	(1,466,628)	(622,569)
Transfer of Restricted Benefits Fund	50,856	11,519
Transfer of Capital Expenditure Reserve Fund	(7,678)	(1,035,955)
Cash used in investment activities	(1,423,450)	(1,647,005)
FINANCING ACTIVITY		
Funding for property, plant and equipment - Ontario Ministry of Health and Long-Term Care	211,326	176,371
Increase (decrease) in cash during year	(234,049)	(694,871)
Cash, beginning of year	1,751,123	2,445,994
Cash, end of year	1,517,074	1,751,123

See accompanying notes to the financial statements.

GENERAL

The Geraldton District Hospital was incorporated under the laws of Ontario as a corporation without share capital on September 14, 1939. Its principal activity is to provide specialized and general hospital-based health care to the people of Greenstone and Northwestern Ontario. The Hospital is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

(a) Revenue recognition

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

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ontario Ministry of Health and Long-Term Care. 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 subsequent period. These financial statements reflect funding approved by the Ministry with respect to the year ended March 31, 2010.

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.

Investment income is recognized as revenue when earned.

Revenue from the Provincial Insurance Plan, preferred accommodation, and marketed services is recognized when the goods are sold or the service is provided.

Contributions received for the purchase of property, plant and equipment are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related property, plant and equipment.

(b) Contributed services

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

(c) Inventory

Inventory is carried at the lower of average cost and net realizable value.

(d) Property, plant and equipment

Purchased property, plant and equipment are recorded at cost. Contributed property, plant and equipment are recorded at fair value at the date of contribution. Assets acquired under capital leases are capitalized and amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. The cost of renovations to the hospital buildings, which significantly increase useful life and capacity are capitalized. Betterments which extend the estimated life of an asset are capitalized. When a piece of property, plant and equipment no longer contributed to the Hospital's ability to provide services, its carrying amount is written down to its net realizable value.

Property, plant and equipment are amortized on a straight-line basis using the following annual rates:

Building and building service equipment	3% - 5%
Equipment, furnishings and computer system	5% - 50%
Land improvements	10%
Leasehold improvements	10%

(e) Compensated absences

Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the Hospital's benefit plans for vacation, sick leave and retirement allowances.

(f) Employee benefits

The Hospital accrues its obligations under employee benefit plans and the related costs. The Hospital has adopted the following policy:

The cost of retirement benefits earned by employees is actuarially determined using the projected unit method pro-rated on service, retirement ages of employees and expected health care costs.

(g) The Residents' Trust Fund

The Residents' Trust Fund consists of amounts held in trust for the residents of the Geraldton District Hospital. These funds are not reflected in these financial statements (see note 9).

(h) Management's estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates and assumptions are determined using a consistent approach year over year. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent, however, actual results could differ from those estimates.

(i) Restricted Benefits Fund

Geraldton District Hospital has adopted an administrative services only funding arrangement for a group insurance plan provider. Under the arrangement, the Hospital manages its benefit premium changes as a form of self-insurance. This fund consists of reserve and deposit account balances which have been contributed proportionately by the Hospital and its employees.

(j) Capital Expenditure Reserve Fund

This Reserve is internally restricted and is to be used to finance replacements or additions to buildings, furniture and equipment for Geraldton District Hospital.

(k) Cash

Cash includes cash on hand and in banks.

2. Financial Instruments

(a) Financial Instruments

The Hospital accounts for its financial assets and liabilities in accordance with Canadian generally accepted accounting principles under CICA Handbook Section 3861.

The financial instruments are classified into one of five categories: held-for-trading, held-to-maturity loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the statement of financial position at fair value except for loans and receivables and other financial liabilities which are measured at amortized cost. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in statement of operations.

(b) Disclosure of allocated expenses by Not-For-Profit Organizations

Effective April 1, 2009, the Hospital adopted the CICA Handbook Section 4470, Disclosure of Allocated Expenses by Not-For-Profit Organizations, which establishes disclosure standards for entities that choose to classify their expenses by function and allocate expenses from one function to another. Adoption of these recommendations had no effect on the financial statements for the year ended March 31, 2010.

(c) Amendments to Section 1000, Financial Statement Concepts:

Effective April 1, 2009, the Hospital adopted the CICA amendments to Section 1000 of the CICA Handbook. These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching revenue and expense items. Adoption of these recommendations had no effect on the financial statements for the year ended March 31, 2010.

Capital Disclosures

CICA Handbook Section 1535, Capital Disclosures, establishes disclosure requirements about an entity's capital objectives, policies, and process for managing capital. This new disclosure is provided in note 15. The adoption of this standard did not have a material impact on the financial statements.

Inventory

Inventory is valued at the lower of cost and net realizable value by you. Cost of supplies is determined on a 1st - in, 1st - out basis. Cost of pharmacy is determined on a weighted average cost basis.

Geraldton District Hospital
Notes to the Financial Statements
 March 31, 2010

3. ACCOUNTS RECEIVABLE

	2010	2009
	\$	\$
Unrestricted		
Provincial Insurance Plan	38,689	38,106
Other	137,740	98,334
	176,429	136,440
Less allowance for doubtful accounts	12,761	9,140
	163,668	127,300

4. PROPERTY, PLANT AND EQUIPMENT

Details of year-end property, plant and equipment balances are as follows:

	2010		2009	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Building and building service equipment	14,663,412	6,876,431	14,171,286	6,365,227
Construction in-progress	535,631	-	14,028	-
Equipment, furnishings and computer system	6,840,095	5,483,903	6,387,197	5,118,609
Land	106,489	-	106,489	-
Land improvements	279,697	195,772	279,697	180,933
Leasehold improvements	20,264	18,237	20,264	16,211
	22,445,588	12,574,343	20,978,961	11,680,980
Property, plant and equipment, net		9,871,245		9,297,981

Geraldton District Hospital
Notes to the Financial Statements
 March 31, 2010

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2010	2009
	\$	\$
Accounts payable and accrued liabilities	742,049	417,702
Accrued salaries and wages	455,104	531,911
	1,197,153	949,613

6. DEFERRED CAPITAL CONTRIBUTIONS

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

	2010	2009
	\$	\$
Balance, beginning of year	4,079,325	4,280,730
Additional contributions received	211,326	176,371
	4,290,651	4,457,101
Less amounts amortized to revenue	384,179	377,776
	3,906,472	4,079,325
Represented by		
Deferred capital contributions for building and equipment	3,906,472	4,079,325

Of the amortization above, \$383,236 is included on the Statement of Operations as amortization deferred capital contributions. The remaining \$943 is included in revenues of the Other Programs (note 14) to Nakina Clinic.

7. EMPLOYEE FUTURE BENEFITS

The Hospital provides extended health care, dental and life insurance benefits to substantially all full-time employees. One employee group is entitled to continue to receive these benefits upon early retirement until they reach age 65.

At March 31, 2010, the Hospital's accrued benefit obligation relating to post-retirement benefit plans is \$450,800 (2009 - \$435,400).

Geraldton District Hospital
Notes to the Financial Statements
 March 31, 2010

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

Discount rate	6.00%
Dental benefits cost escalation	4.00%
Medical benefits cost escalation - extended health care	9.00% in 2010 decreasing by 0.5% per annum to an ultimate rate of 5.0% per annum.

Included in employee benefits on the Statement of Operations is an amount of \$24,000 regarding employee benefits. This amount is comprised of:

	\$
Additional benefits expense for year	38,500
Amortization of experience loss	900
Payments made during the year by the Hospital on behalf of retirees	(24,000)
	<u>15,400</u>

8. INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT

(a) Investment in property, plant and equipment is calculated as follows:

	2010 \$	2009 \$
Property, plant and equipment	9,871,245	9,297,981
Amounts financed by deferred capital contributions	(3,906,472)	(4,079,325)
	<u>5,964,773</u>	<u>5,218,656</u>

(b) Change in net assets investment in property, plant and equipment is calculated as follows:

	2010 \$	2009 \$
Shortfall of revenue over expense		
Amortization of deferred capital contributions	384,179	377,776
Amortization of property, plant and equipment	(893,364)	(843,704)
Loss on disposal of property, plant and equipment	-	(3,728)
	<u>(509,185)</u>	<u>(469,656)</u>

Of the amortization above, \$891,839 is included on the Statement of Operations as amortization. The remaining \$1,525 is included in expenses of the Other Programs (note 14) to Nakina Clinic.

Geraldton District Hospital
Notes to the Financial Statements
 March 31, 2010

Net change in investment in property, plant and equipment:

	2010 \$	2009 \$
Purchase of property, plant and equipment	1,466,628	622,569
Amounts funded by		
Ontario Ministry of Health and Long-Term Care	(211,326)	(176,371)
	1,255,302	446,198

9. RESIDENTS' TRUST FUND

The balance held in trust at year-end was \$1,463.

10. CHANGE IN NON-CASH OPERATIONAL BALANCES

The net change in non-cash operational balances related to operations is represented by the following:

	2010 \$	2009 \$
Accounts receivable	(35,785)	(14,059)
Receivable from Ontario Ministry of Health and Long-Term Care / North West Local Health Integration Network	(583)	(9,960)
Inventory of supplies	(85,802)	283
Prepaid expenses	17,481	(30,420)
Accounts payable and accrued liabilities	247,541	(140,289)
	142,852	(194,445)

11. PENSION PLAN

Substantially all of the employees of the Hospital are members of the Hospitals of Ontario Pension Plan ("the Plan"), which is a multi-employed 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 on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, that provide the highest average earnings.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with contributions by employees, 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 employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are to be funded proportionately by the employees and the employer. The most recent actuarial valuation of the Plan as at December 31, 2008 indicates the Plan is fully funded. The majority of employees of the Hospital are members of the Hospital of Ontario Pension Plan. Contributions to the Plan made during the year by the Hospital on behalf of its employees amounted to \$427,925 (2009 - \$408,553) and are included in the Statement of Operations.

12. COMMITMENTS AND CONTINGENCIES

(a) The Hospital has been named in legal action of which the outcome is not determinable. If any of the actions are successful, it is anticipated that all damages will be covered by the Hospital's insurers.

(b) The nature of the Hospital's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2010, management believes the Hospital has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

(c) The Hospital participates in the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its hospital members. All members of the HIROC pool pay annual premium which are actuarially determined. All members are subject to assessment for losses, if any, experienced by the pool for the years in which they were members. No assessments have been made for the year ended 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 claim reserves and expenses and operating expenses. Each subscriber, which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating 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 of the HIROC. There are no contributions receivable from the HIROC as of March 31, 2010.

13. FINANCIAL INSTRUMENTS

The Hospital's financial instruments consist of cash, accounts receivable, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Hospital is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Geraldton District Hospital
Notes to the Financial Statements
 March 31, 2010

14. OTHER PROGRAMS

	2010		2009	
	Revenue \$	Expenses \$	Revenue \$	Expenses \$
Nakina Clinic	212,785	212,195	203,465	212,184
Diabetes Education	-	-	64,414	62,585
Hospital on Call Coverage	212,790	212,790	215,251	215,251
Municipal Taxes	4,500	4,500	4,500	4,500
	430,075	429,485	487,629	494,520

15. CAPITAL MANAGEMENT

The Hospital considers its capital to be its net assets, internally restricted and unrestricted. Its internally restricted net assets consist of amounts for future operations (see Note 6) and amounts invested in capital assets (see Note 8). The Hospital's objectives when managing its capital are to safeguard its ability to continue as a going concern so it can continue to provide services to and to allow for future expansion. Annual budgets are developed and monitored to ensure the Hospital's capital is maintained at an appropriate level.