

Financial Statements

Geraldton District Hospital

March 31, 2011

Geraldton District Hospital

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Geraldton District Hospital

Report on the financial statements

We have audited the accompanying statements of **Geraldton District Hospital**, which comprise of the balance sheet as at March 31, 2011, and the statements of operations, changes in funds balances and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibilities for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles and for such internal control as management determines as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Unqualified Opinion

In our opinion, these financial statements present fairly, in all material respects, the balance sheet of **Geraldton District Hospital** as at March 31, 2011, the results of its operations, changes in funds balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants LLP
Licensed Public Accountants
Sault Ste. Marie, Canada
June 13, 2011

Geraldton District Hospital**Balance Sheet**

As at March 31,

	2011	2010
	\$	\$
ASSETS		
Current		
Cash	1,316,511	1,517,074
Accounts receivable (note 3)	213,422	163,668
Inventory of supplies	280,800	245,889
Prepaid expenses	96,841	79,461
Total current assets	1,907,574	2,006,092
Restricted assets		
Restricted Benefits Fund	-	25,317
Note Receivable (note 5)	2,000,000	-
Capital Expenditure Reserve Fund	2,119,006	4,043,633
Total restricted assets	4,119,006	4,068,950
Property, plant and equipment, net (note 4)	9,928,820	9,871,245
	15,955,400	15,946,287
LIABILITIES AND FUND BALANCES		
Current		
Accounts payable and accrued liabilities (note 6)	1,306,484	1,197,154
Restricted fund benefit payable	17,529	-
	1,324,013	1,197,154
Deferred capital contributions (note 7)	3,544,450	3,906,472
Employee future benefits (note 8)	474,800	450,800
Fund balances		
Investment in property, plant and equipment (note 9a)	6,384,370	5,964,773
Used for operating purposes	126,290	358,138
Internally Restricted		
Restricted Benefits Fund	(17,529)	25,317
Capital Expenditure Reserve Fund	4,119,006	4,043,633
Total fund balances	10,612,137	10,391,861
	15,955,400	15,946,287

Commitments and contingencies (note 13)

See accompanying notes to the financial statements.

On behalf of the Board



Director

Kurt Priestanski



Director

Geraldton District Hospital
Statement of Operations
Year Ended March 31,

	2011	2010
	\$	\$
REVENUE		
Ambulance	12,055	5,900
Amortization of deferred capital contributions	385,166	383,236
Co-payments revenue	465,379	426,451
Interest income	98,812	57,052
Ontario Ministry of Health and Long-Term Care / North West Local Health Integration Network	9,169,487	8,996,951
Other programs (note 15)	1,344,101	430,075
Other revenue	380,211	327,922
Other sources		
In-patient services	13,322	10,947
Out-patient services	228,733	197,629
	12,097,266	10,836,163
EXPENSES		
Amortization		
Buildings and building service equipment	595,142	528,069
Equipment, furnishings and computer system	421,850	363,770
Bad debts	5,226	3,714
Drugs	98,119	83,457
Employee benefits	1,509,452	1,449,813
Medical and surgical supplies	101,109	110,153
Medical staff remuneration	83,589	78,478
Other programs (note 15)	1,343,502	429,485
Salaries and wages	5,841,272	5,559,158
Supplies and other expense	1,866,406	1,919,628
	11,865,667	10,525,525
Excess of revenue over expenses before the following	231,599	310,638
Loss on disposal of property, plant and equipment	11,323	-
Excess of revenue over expenses for the year	220,276	310,638

See accompanying notes to the financial statements.

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

	2011		2010
	Investment in Property, Plant and Equipment \$ (note 8)	Used for Operating Purposes \$	Restricted Benefits Fund \$
		Capital Expenditure Reserve Fund \$	
Balance, beginning of year	5,964,773	358,138	25,317
Excess (shortfall) of revenue over expenses for the year	(648,074)	868,350	-
Increase (decrease) in Restricted Benefits Fund	-	42,846	(42,846)
Increase in Capital Expenditure Reserve	-	(75,373)	-
Net change in investment in property, plant and equipment	1,067,671	(1,067,671)	-
Balance, end of year	6,384,370	126,290	(17,529)
		4,119,006	10,612,137
			10,391,861
			10,081,223

See accompanying notes to the financial statements.

Geraldton District Hospital		
Statement of Cash Flows		
As at March 31,	2011	2010
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	220,276	310,638
Items not requiring cash from operations		
Amortization	1,023,294	893,364
Amortization of deferred capital contributions	(386,543)	(384,179)
Employee future benefits	24,000	15,400
Loss on disposal of property, plant and equipment	11,323	-
Change in non-cash operational balances (note 11)	(1,992,715)	142,852
Cash provided by operating activities	(1,100,365)	978,075
INVESTMENT ACTIVITIES		
Additions to property, plant and equipment	(1,096,239)	(1,466,628)
Transfer of Restricted Benefits Fund	42,846	50,856
Transfer of Capital Expenditure Reserve Fund	1,924,627	(7,678)
Cash used in investment activities	871,234	(1,423,450)
FINANCING ACTIVITY		
Funding for property, plant and equipment -		
Capital Contributions - donations and other	20,993	
Ontario Ministry of Health and Long-Term Care	7,575	211,326
	28,568	211,326
Decrease in cash during year	(200,563)	(234,049)
Cash, beginning of year	1,517,074	1,751,123
Cash, end of year	1,316,511	1,517,074

See accompanying notes to the financial statements.

Geraldton District Hospital
Notes to the Financial Statements
March 31, 2011

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, 2011.

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.

Geraldton District Hospital
Notes to the Financial Statements
March 31, 2011

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 16. 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. 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,

3. ACCOUNTS RECEIVABLE

	2011	2010
	\$	\$
Unrestricted		
Provincial Insurance Plan and Ministry of Health	63,678	38,689
Other	167,687	137,740
	231,365	176,429
Less allowance for doubtful accounts	17,943	12,761
	213,422	163,668

4. PROPERTY, PLANT AND EQUIPMENT

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

	2011		2010	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Building and building service equipment	15,943,413	7,454,708	14,663,412	6,876,431
Construction In-progress	56,711	-	535,631	-
Equipment, furnishings and computer system	7,007,691	5,799,862	6,840,095	5,483,903
Land	106,489	-	106,489	-
Land Improvements	279,697	210,611	279,697	195,772
Leasehold Improvements			20,264	18,237
	23,394,001	13,465,181	22,445,588	12,574,343
Property, plant and equipment, net		9,928,820		9,871,245

5. Notes Receivable

On August 15, 2010, Geraldton District Hospital advanced \$2 million dollars by way of a note receivable to The McCausland Hospital as interim financing for the completion of the construction on the 22 bed long term care facility located adjacent to The McCausland Hospital.

The note receivable bears interest at 3.5% per annum from the advancement date and is secured by a promissory note in the amount of \$2 million dollars. Interest received in fiscal 2011 by Geraldton District Hospital amounted to \$47,178.10.

It is anticipated in June 2011, the \$2 million note receivable will be repaid with any accrued interest.

Geraldton District Hospital
Notes to the Financial Statements
March 31, 2011

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2011	2010
	\$	\$
Accounts payable and accrued liabilities	789,899	742,050
Accrued salaries and wages	516,585	455,104
	1,306,484	1,197,154

7. 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.

	2011	2010
	\$	\$
Balance, beginning of year	3,906,472	4,079,325
Additional contributions received	24,521	211,326
	3,930,993	4,290,651
Less amounts amortized to revenue	386,543	384,179
	3,544,450	3,906,472
Represented by		
Deferred capital contributions for building and equipment	3,544,450	3,906,472

Of the amortization above, \$385,166 is included on the Statement of Operations as amortization deferred capital contributions. The remaining \$1,377 is included in revenues of the Other Programs (note 14) to Nakina Clinic.

8. 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, 2011, the Hospital's accrued benefit obligation relating to post-retirement benefit plans is \$474,800 (2010 - \$450,800).

Geraldton District Hospital
Notes to the Financial Statements
March 31, 2011

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	8.50% in 2011 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	49,000
Amortization of experience loss	900
Payments made during the year by the Hospital on behalf of retirees	(25,900)
	<u>24,000</u>

9. INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT

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

	2011	2010
	\$	\$
Property, plant and equipment	9,928,820	9,871,245
Amounts financed by deferred capital contributions	(3,544,450)	(3,906,472)
	<u>6,384,370</u>	<u>5,964,773</u>

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

	2011	2010
	\$	\$
Shortfall of revenue over expense		
Amortization of deferred capital contributions	386,543	384,179
Amortization of property, plant and equipment	(1,023,294)	(893,364)
Loss on disposal of property, plant and equipment	(11,323)	-
	<u>(648,074)</u>	<u>(509,185)</u>

Of the amortization above, \$1,016,992 is included on the Statement of Operations as amortization. The remaining \$6,302 is included in expenses of the Other Programs (note 15) to Nakina Clinic.

Geraldton District Hospital
Notes to the Financial Statements
March 31, 2011

Net change in investment in property, plant and equipment:

	2011	2010
	\$	\$
Purchase of property, plant and equipment	1,096,239	1,466,628
Amounts funded by		
Capital Contributions - donations and other	(20,993)	-
Ontario Ministry of Health and Long-Term Care	(7,575)	(211,328)
	1,067,671	1,255,302

10. RESIDENTS' TRUST FUND

The balance held in trust at year-end was \$385.

11. CHANGE IN NON-CASH OPERATIONAL BALANCES

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

	2011	2010
	\$	\$
Accounts receivable	(49,754)	(36,368)
Receivable from Ontario Ministry of Health and Long-Term Care / Note receivable from The McCausland Hospital	(2,000,000)	
Inventory of supplies	(34,911)	(85,802)
Prepaid expenses	(17,380)	17,481
Accounts payable and accrued liabilities	109,330	247,541
	(1,992,715)	142,852

12. PENSION PLAN

Most of the employees of the Hospital are members 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, that provide the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing 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 required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. On January 1, 2011 the contribution rates were 6.9% (2010 - 6.9%) up to the year's maximum pensionable earnings (YMPE) and 9.2% (2010 - 9.2%) above the YMPE. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Geraldton District Hospital
Notes to the Financial Statements
March 31, 2011

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by participating members. The most recent actuarial valuation of the Plan as at December 31, 2009 indicates the Plan is 101% funded. Contribution to the Plan made during the year by the Hospital on behalf of its employees amounted to \$472,332 (2010 - \$427,925) and are included in the statement of operations.

13. 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, 2011, 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, 2011.

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, 2011.

14. 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, 2011

15. OTHER PROGRAMS

	2011		2010	
	Revenue \$	Expenses \$	Revenue \$	Expenses \$
Nakina Clinic	217,036	216,437	212,785	212,195
ER/Locum	907,356	907,356		
Hospital on Call Coverage	215,209	215,209	212,790	212,790
Municipal Taxes	4,500	4,500	4,500	4,500
	1,344,101	1,343,502	430,075	429,485

16. 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 and amounts invested in capital assets (see Note 9). 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.