

Financial Statements

Geraldton District Hospital

Year Ended March 31, 2015

Geraldton District Hospital

Contents

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



ALEXANDER B. CALAM, CPA, CA, Partner
ANTHONY S. ROSSI, CPA, CA, Partner

369 QUEEN ST. EAST, SUITE 302 • SAULT STE. MARIE, ON • P6A 1Z4
Tel 705 253 0110 • Fax 705 253 1771

INDEPENDENT AUDITORS' REPORT

To the Members of
Geraldton District Hospital

Report on the financial statements

We have audited the accompanying statements of **Geraldton District Hospital**, which comprise of the statement of financial position as at March 31, 2015, and the statements of operations, changes in fund 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 Canadian Public Sector Accounting Standards 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 controls 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.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of **Geraldton District Hospital** as at March 31, 2015, the results of its operations, changes in fund balances, cash flows and remeasurement gain (loss) for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Chartered Professional Accountants
Licensed Public Accountants
Sault Ste. Marie, Canada
June 8, 2015

**Geraldton District Hospital
Statement of Financial Position
As at**

	March 31, 2015	March 31, 2014
	\$	\$
ASSETS		
Current		
Cash	2,332,587	1,373,012
Accounts receivable (note 3)	486,874	200,888
Inventory of supplies	271,487	280,619
Prepaid expenses	97,028	98,624
Total Current Assets	3,187,976	1,953,143
Restricted Assets		
Capital Expenditure Reserve Fund	4,526,687	4,425,496
Property, plant and equipment, net (note 4)	9,549,905	9,375,701
	17,264,568	15,754,340
LIABILITIES AND FUND BALANCES		
Current		
Accounts payable and accrued liabilities (note 5)	1,309,083	1,373,708
Restricted fund benefit payable	12,621	14,417
	1,321,704	1,388,125
Deferred Capital Contributions (note 6)	4,439,750	2,834,795
Employee Future Benefits (note 7)	713,600	642,000
Commitments and contingencies (note 12)		
Fund Balances		
Investment in property, plant and equipment (note 8a)	5,110,155	6,540,906
Used for operating purposes	1,165,293	(62,565)
Internally Restricted		
Restricted Benefits Fund	(12,621)	(14,417)
Capital Expenditure Reserve Fund	4,415,823	4,335,594
Accumulated remeasurement	110,864	89,902
Total Fund Balances	10,789,514	10,889,420
	17,264,568	15,754,340

See accompanying notes to the financial statements.

On behalf of the Board

 Director

 Director

Date: 29 June 2015

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

	2015	2014
	\$	\$
REVENUE		
Ambulance	22,830	28,020
Amortization of deferred capital contributions	346,501	348,556
Co-payments revenue	562,369	559,404
Interest income	99,135	103,287
Ontario Ministry of Health and Long-Term Care / North West Local Health Integration Network	9,628,821	9,584,223
Other programs (note 14)	1,102,583	1,198,530
Other revenue	405,352	424,087
accounting standards for Government not-for-profit organizations.		
In-patient services	3,807	25,056
Out-patient services	191,379	210,494
	12,362,777	12,481,657
EXPENDITURES		
Amortization		
Buildings and building service equipment	708,783	688,212
Equipment, furnishings and computer system	309,739	342,419
Bad debts	9,727	22,824
Drugs	109,843	108,411
Employee benefits	1,551,071	1,504,092
Medical and surgical supplies	132,443	123,234
Medical staff remuneration	84,091	86,196
Other programs (note 14)	1,107,996	1,199,569
Salaries and wages	6,532,789	6,254,700
Supplies and other expense	2,011,559	1,918,620
	12,558,041	12,248,277
Excess (deficiency) of revenue over (under) expenses before the following	(195,264)	233,380
Gain on disposal of property, plant and equipment	74,396	1,100
Excess (deficiency) of revenue over (under) expenses for the year	(120,868)	234,480

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

2015

2014

	Investment in Property, Plant and Equipment \$ (note 8)	Used for Operating Purposes \$	Restricted Benefits Fund \$	Capital Expenditure Reserve Fund \$	Accumulated Remeasurement \$		
Balance, beginning of year	6,540,906	(62,565)	(14,417)	4,335,594	89,902	10,889,420	10,605,067
Net remeasurement gains for the year (note 2)						-	-
Unrealized investment gains					20,962	20,962	49,873
Increase in Capital Expenditure Reserve	-	(80,229)		80,229		-	-
Excess (deficiency) of revenue over (under) expenses for the year	(598,051)	477,183	-	-		(120,868)	234,480
Increase (decrease) in Restricted Benefits Fund	-	(1,796)	1,796			-	-
Net change in investment in property, plant and equipment	(832,700)	832,700	-			-	-
Balance, end of year	5,110,155	1,165,293	(12,621)	4,415,823	110,864	10,789,514	10,889,420

See accompanying notes to the financial statements.

**Geraldton District Hospital
Statement of Cash Flows
As at March 31,**

	2015	2014
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over (under) expenses for the year	(120,868)	234,480
Items not requiring cash from operations		
Amortization	1,020,223	1,032,330
Amortization of deferred capital contributions	(347,776)	(349,832)
Employee future benefits	71,600	27,000
Net remeasurement gains for the year	20,962	49,873
Gain on disposal of property, plant and equipment	(74,396)	(1,100)
Change in non-cash operational balances (note 10)	(339,883)	119,062
Cash provided by Operations	229,862	1,111,813
CAPITAL ACTIVITIES		
Additions to property, plant and equipment	(1,297,031)	(915,275)
Proceeds on disposition of property, plant and equipment	177,000	1,100
Funding for property, plant and equipment -		
Capital Contributions - donations and other	7,500	1,548
Ontario Ministry of Health and Long-Term Care	1,945,231	136,598
Cash used in Capital Activities	832,700	(776,029)
INVESTMENT ACTIVITIES		
Transfer of Restricted Benefits Fund	(1,796)	(35,785)
Transfer of Capital Expenditure Reserve Fund	(101,191)	(140,328)
Cash used in Investment Activities	(102,987)	(176,113)
Increase in cash during year	959,575	159,671
Cash, beginning of year	1,373,012	1,213,341
Cash, end of year	2,332,587	1,373,012

See accompanying notes to the financial statements.

Geraldton District Hospital
Notes to the Financial Statements
March 31, 2015

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 Public Sector accounting standards for Government not-for-profit organizations.

(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, 2015.

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 valued at the lower of cost and net realizable value. Cost of supplies is determined on a first in first out basis. Cost of pharmacy is determined on a weighted average cost basis.

(d) Cash

Cash includes cash on hand and in banks.

(e) 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%

(f) 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.

(g) 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.

(h) 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).

(i) Management's estimates

The preparation of financial statements, in conformity with Canadian Public Sector Accounting Standards, 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 accounting standards for Government not-for-profit organizations.

(j) 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.

(k) 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.

(l) Cash

Cash includes cash on hand and in banks.

(m) Financial Instruments

The Hospital accounts for its financial assets and liabilities in accordance with Canadian Public Sector Accounting Standards under CICA Handbook.

Financial instruments are recorded at fair market value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year, if there are indicators of impairment. If there is an indicator of impairment, the Hospital determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Hospital expects to realize by exercising its right to any collateral. If events and circumstances reverse in the future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. REMEASUREMENT GAINS OR LOSSES

	March 31, 2015	March 31, 2014
	\$	\$
Accumulated remeasurement gains, beginning of the year	89,902	40,029
Unrealized gains attributable to: Investments	20,962	49,873
Net remeasurement gains for the year	110,864	89,902

**Geraldton District Hospital
Notes to the Financial Statements
March 31, 2015**

3. ACCOUNTS RECEIVABLE

	March 31, 2015	March 31, 2014
	\$	\$
Unrestricted		
Provincial Insurance Plan and Ministry of Health	66,854	40,216
Other	426,494	172,731
	493,348	212,947
Less allowance for doubtful accounts	6,474	12,059
	486,874	200,888

4. PROPERTY, PLANT AND EQUIPMENT

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

	March 31, 2015		March 31, 2014	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Building and building service equipment	17,841,203	10,053,267	17,269,665	9,403,656
Construction in-progress	125,009	-	216,762	-
Equipment, furnishings and computer systems	7,506,761	6,012,339	6,844,830	5,700,900
Land	106,489	-	106,489	-
Land improvements	283,263	247,214	283,263	240,752
	26,862,726	16,312,820	24,721,009	15,345,308
Property, plant and equipment, net		9,549,905		9,375,701

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2015	March 31, 2014
	\$	\$
Accounts payable and accrued liabilities	800,458	761,299
Accrued salaries and wages	508,625	612,409
	1,309,083	1,373,708

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.

	March 31, 2015	March 31, 2014
	\$	\$
Balance, beginning of year	2,834,795	3,046,481
Additional contributions received	1,952,731	138,146
	<u>4,787,526</u>	<u>3,184,627</u>
Less amounts amortized to revenue	347,776	349,832
	<u>4,439,750</u>	<u>2,834,795</u>
Represented by		
Unamortized deferred capital contribution	3,087,635	2,834,795
Unspent deferred capital contribution	1,352,115	-
	<u>4,439,750</u>	<u>2,834,795</u>

Of the amortization above, \$346,501 is included on the Statement of Operations as amortization deferred capital contributions. The remaining \$1,275 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, 2015, the Hospital's accrued benefit obligation relating to post-retirement benefit plans is \$713,600 (2014 - \$642,000)

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

Discount rate	4.69%
Dental benefits cost escalation	4.00%
Medical benefits cost escalation - extended health care	8.25% in 2015 decreasing by 0.25% per annum to an ultimate rate of 5.0% per annum.

Included in employee benefits on the Statement of Operations is an amount of \$71,600 (2014- \$45,400) regarding employee benefits. This amount is comprised of:

	\$
Additional benefits expense for year	109,600
Less payments made during the year by the Hospital on behalf of retirees	<u>(38,000)</u>
	<u>71,600</u>

8. INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT

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

	March 31, 2015	March 31, 2014
	\$	\$
Property, plant and equipment	9,549,905	9,375,701
Amounts financed by deferred capital contributions	(4,439,750)	(2,834,795)
	5,110,155	6,540,906

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

	March 31, 2015	March 31, 2014
	\$	\$
Shortfall of revenue over expense		
Amortization of deferred capital contributions	347,776	349,832
Amortization of property, plant and equipment	(1,020,223)	(1,032,330)
Gain on disposal of property, plant and equipment	74,396	1,100
	(598,051)	(681,398)

Of the amortization above, \$1,018,522 (2014 -\$1,030,631) is included on the Statement of Operations as amortization. The remaining 1,701 (2014 - \$1699) is included in expenses of the Other Programs (note 14) to Nakina Clinic.

Net change in investment in property, plant and equipment:

	March 31, 2015	March 31, 2014
	\$	\$
Purchase of property, plant and equipment	1,297,031	915,275
Amounts funded by		
Capital Contributions - donations and other	(7,500)	(1,548)
Proceeds on disposition of property, plant and equipment	(177,000)	(1,100)
Ontario Ministry of Health and Long-Term Care	(1,945,231)	(136,598)
	(832,700)	776,029

9. RESIDENTS' TRUST FUND

The balance held in trust at year-end was \$645 (2014 - \$1,699).

10. CHANGE IN NON-CASH OPERATIONAL BALANCES

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

	March 31, 2015	March 31, 2014
	\$	\$
Accounts receivable	(285,986)	(52,806)
Inventory of supplies	9,132	4,487
Prepaid expenses	1,596	(5,474)
Accounts payable and accrued liabilities	(64,625)	172,855
	(339,883)	119,062

11. 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 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 full represented by fund assets at retirement, as provided by the Plan. On January 1, 2014 the contribution rates were 6.9% (2014 - 6.9%) up to last year's maximum pensionable earnings (YMPE) and 9.2% (2014 - 9.2%) above the YMPE. 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 generally to be funded by participating members. The most recent actuarial valuation of the Plan as at April 1, 2014 indicates the Plan is 114% funded. Contribution to the Plan made during the year by the Hospital on behalf of its employees amounted to \$482,866 (2014 - \$465,071) 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, 2015, 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.

12. COMMITMENTS AND CONTINGENCIES CONTINUED

(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, 2015.

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, 2015.

(d) Under the terms of equipment and vehicle operating leases, the Hospital is committed to make minimum lease payments totaling \$14,869 per annum. The lease expiry dates range from April 2011 to October 8, 2016.

(e) Geraldton District Hospital, together with other regional hospitals, has an ASO employee benefit plan for semi-private, dental and extended health care benefits. Under the terms of the plan, the Hospital will pay for certain employee benefit claims not exceeding \$5,000 per year. Any excess claims would be insured.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

The Hospital's financial instruments consist of cash and cash equivalents, capital expenditure reserve fund, accounts receivable, accounts payable and accrued liabilities.

The Hospital's financial instruments are generally classified and measured as follows:

Assets/liabilities	Measurement Category	Fair Value Level
Cash and cash equivalents	fair value	Level 1
Capital expenditure reserve fund	fair value	Level 1
Accounts receivable	amortized cost	
Accounts payable and accrued liabilities	amortized cost	

Fair value measurement

The following classification system is used to describe the basis of the inputs used to measure the fair value of the financial instruments in the fair value measurement category:

Level 1- -- quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – inputs for the assets or liabilities that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate, based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

Risk and Concentration

The Hospital is exposed to various risks through its financial instruments. The following analysis provides a measure of the company's risk exposure and concentrations as at March 31, 2015.

Credit risk:

The Hospital's exposure to credit risk relates to its accounts receivable and arises from possibility that debtors will not fulfill their obligations under their agreements, including non payment by patients for non-insured services, and for services provided to patients. This risk is minimized through continuous monitoring of aged user fee receivable balances, providing for an adequate allowance for doubtful accounts (refer to Note 3), monitoring government service contracts and cash flows. There has been no change in credit risk from that of the prior year.

Liquidity risk:

Liquidity risk is the risk that the Hospital will encounter difficulty raising liquid funds to meet commitments as they arise. In meeting its liquidity requirements the organization monitors its working capital, cash flow requirements and obligations. The organization maintains a target level of available cash to meet liquidity requirement as the come due and has adequate borrowing facilities. There has been no change in liquidity risk from that of prior year.

Market risk:

Market risk is the risk that the Hospital's investments in certificate of deposits and mutual funds are exposed to price risks as these investments are subject to price changes in the open market due to a variety of reasons including market interest rate changes, general economic factors and restrictions of credit markets. The Hospital does not use derivative financial instruments to alter the effects of the risk and mitigates this risk by ensuring no individual investment is significant to the overall financial position of the Hospital by limiting investment to a nominal percentage of the total investment portfolio. There has been no change in market risk from that of prior year.

Geraldton District Hospital
Notes to the Financial Statements
March 31, 2015

14. OTHER PROGRAMS

	2015		2014	
	Revenue	Expenses	Revenue	Expenses
	\$	\$	\$	\$
Nakina Clinic	236,188	241,601	233,794	234,833
Health Links	53,179	53,179	-	-
Municipal Taxes	4,500	4,500	4,500	4,500
Hospital on Call Coverage	106,196	106,196	250,656	250,656
ER/Locum	702,520	702,520	709,580	709,580
	1,102,583	1,107,996	1,198,530	1,199,569