

Blind River District Health Centre

Financial Statements

Year Ended March 31, 2011



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Blind River District Health Centre

We have audited the accompanying financial statements of the **Blind River District Health Centre**, which comprise the statement of financial position as at **March 31, 2011**, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's 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' judgement, 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 auditors consider 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Blind River District Health Centre as at March 31, 2011, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles

FREELANDT CALDWELL REILLY LLP

Freelandt Caldwell Reilly LLP

Chartered Accountants
Licensed Public Accountants

Sudbury, Ontario
May 24, 2011

BLIND RIVER DISTRICT HEALTH CENTRE
Statement of Financial Position
March 31, 2011 with comparative figures for 2010

	2011 \$	2010 \$
Assets		
Current		
Cash	468,662	339,094
Accounts receivable	441,070	421,332
Inventories	214,835	234,600
Prepaid expenses	112,695	132,327
	1,237,262	1,127,353
Investments (note 2)	5,531,960	5,349,782
Capital assets (note 3)	15,902,142	16,406,667
	22,671,364	22,883,802
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities (note 5)	1,917,553	1,691,980
Employee future benefits obligation (note 6)	644,495	584,893
Deferred capital contributions (note 7)	10,244,813	10,577,269
	12,806,861	12,854,142
Net Assets (Deficiency)		
Invested in capital assets (note 8)	5,657,329	5,829,398
Unrestricted	(584,170)	(438,870)
Internally restricted	4,180,220	4,180,220
Unrealized gains (note 2)	611,124	458,912
	9,864,503	10,029,660
	22,671,364	22,883,802

Approved on behalf of the board of directors.

Wolfgang Kirchmeier [1st Vice Chair]

See accompanying notes to the financial statements.

BLIND RIVER DISTRICT HEALTH CENTRE
Statement of Operations
Year ended March 31, 2011 with comparative figures for 2010

	2011 \$	2010 \$
Revenue		
Provincial Ministry of Health – patient care	8,798,284	8,421,432
Other patient revenue	442,093	297,665
Co-payments	355,998	323,008
Preferred accommodation	114,994	147,264
Recoveries and other revenue	2,161,967	2,362,402
Amortization of deferred capital contributions related to allowable capital assets	62,880	68,024
	11,936,216	11,619,795
Expenses		
Salaries and wages	6,027,599	5,888,716
Supplies and other expenses	2,149,803	2,036,102
Employee benefits	1,526,832	1,553,615
Medical staff remuneration	1,500,231	1,483,381
Amortization of allowable capital assets	395,386	379,492
Drugs	138,188	202,802
Medical and surgical supplies	92,173	121,089
Bad debts	51,679	18,600
	11,881,891	11,683,797
Excess (deficiency) of revenue over expenses before undernoted items	54,325	(64,002)
Other revenue		
Other votes and programs (note 9)	2,003,315	1,878,801
Amortization of deferred capital contributions related to non-allowable capital assets	410,537	410,798
Investment income	159,163	139,157
	2,573,015	2,428,756
Other expenses		
Other votes and programs (note 9)	2,298,397	2,170,411
Amortization of non-allowable capital assets	560,252	560,605
Employee future benefits expense (note 6)	86,060	107,481
	2,944,709	2,838,497
Deficiency of revenue over expenses	(317,369)	(473,743)

See accompanying notes to the financial statements.

BLIND RIVER DISTRICT HEALTH CENTRE

Statement of Changes in Net Assets

Year ended March 31, 2011 with comparative figures for 2010

	Invested in capital assets \$	Unrestricted Health Centre \$	Unrestricted Long-term Care \$	Internally Restricted \$	Unrealized Gains (losses) \$	2011 Total \$	2010 Total \$
Balance, beginning of year	5,829,398	1,545,347	(1,984,217)	4,180,220	458,912	10,029,660	10,152,201
Deficiency of revenue over expenses	(490,250)	431,180	(258,299)	-	-	(317,369)	(473,743)
Net changes in investment in capital assets	318,181	(309,339)	(8,842)	-	-	-	-
Unrealized gain on investments	-	-	-	-	152,212	152,212	351,202
Balance, end of year	5,657,329	1,667,188	(2,251,358)	4,180,220	611,124	9,864,503	10,029,660

See accompanying notes to the financial statements.

BLIND RIVER DISTRICT HEALTH CENTRE
Statement of Cash Flows
Year ended March 31, 2011 with comparative figures for 2010

	2011 \$	2010 \$
Cash provided by operations		
Deficiency of revenue over expenses	(317,369)	(473,743)
Items not requiring cash		
Amortization of capital assets	983,533	968,350
Loss on disposal of capital assets	72,931	-
Unrealized gain on investments	152,212	351,202
Amortization of deferred capital contributions related to capital assets	(493,283)	(497,894)
	398,024	347,915
Change in non-cash, working capital items		
Accounts receivable	(19,738)	(84,142)
Inventories	19,765	407
Prepaid expenses	19,632	20,705
Accounts payable and accrued liabilities	225,573	(132,928)
Employee future benefits obligation	59,602	78,513
	702,858	230,470
Investing activities		
Purchase of investments	(182,178)	(181,866)
Purchase of capital assets	(551,939)	(875,811)
	(734,117)	(1,057,677)
Financing activities		
Deferred capital contributions received	160,827	402,719
Net increase (decrease) in cash	129,568	(424,488)
Cash, beginning of year	339,094	763,582
Cash, end of year	468,662	339,094

See accompanying notes to the financial statements.

BLIND RIVER DISTRICT HEALTH CENTRE**Notes to the Financial Statements****March 31, 2011**

Blind River District Health Centre is a general hospital under the provisions of the Public Hospitals Act of Ontario.

The Health Centre is principally involved in providing health care services to the Blind River region. The Health Centre 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 Health Centre follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Health Centre is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry 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 relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements 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.

Externally restricted 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 amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital 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.

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

BLIND RIVER DISTRICT HEALTH CENTRE**Notes to the Financial Statements****March 31, 2011**

1. Significant Accounting Policies (continued)**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) Inventories

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

d) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. When a capital asset no longer contributes to the Health Centre's ability to provide services, its carrying amount is written down to its estimated realizable value.

Capital assets are amortized on a straight-line basis over their estimated useful lives using the following annual rates:

Land improvements	10 – 15 years
Buildings	20 – 50 years
Building service equipment	5 – 20 years
Equipment	3 – 20 years

e) Compensated absences

Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the Health Centre's benefit plans for vacation, sick leave, and employee future benefits.

f) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Amounts affected by significant estimates include allowance for uncollectible accounts receivable and employee future benefits obligation.

BLIND RIVER DISTRICT HEALTH CENTRE**Notes to the Financial Statements****March 31, 2011**

1. Significant Accounting Policies (continued)**g) Financial instruments**

At inception all financial instruments which meet the definition of a financial asset or financial liability are to be recorded at fair value, unless fair value cannot be reliably determined. Depending on the nature of the financial instrument, revenues, expenses, gains and losses thereon would be reported in either the statement of operations or in the statement of changes in net assets. Subsequent measurements of each financial instrument will depend on their classification in the statement of financial position selected by the Health Centre. The Health Centre has selected the following classifications with respect to its financial instruments:

- Cash is a financial asset classified as “held for trading” and is measured at fair value;
- Accounts receivable are financial assets classified as “loans and receivable” and are measured at amortized cost which upon initial recognition is considered equivalent to fair value; subsequent measurements are recorded at amortized cost using the effective interest rate method;
- Investments are financial assets classified as “available for sale” and are measured at fair value; and
- Accounts payable and accrued liabilities and employee future benefits obligation are financial liabilities classified as “other financial liabilities” and are measured at fair value upon initial recognition. Subsequent remeasurements are recorded at amortized cost using the effective interest rate method.

2. Investments

	2011	2010
	\$	\$
Cost:		
Guaranteed Investment Certificates	1,693,890	1,350,390
Bonds	1,680,967	1,853,007
Mutual funds	1,545,979	1,687,473
	<hr/> 4,920,836	<hr/> 4,890,870
Market value:		
Guaranteed Investment Certificates	1,693,890	1,350,390
Bonds	1,695,366	1,895,474
Mutual funds	2,142,704	2,103,918
	<hr/> 5,531,960	<hr/> 5,349,782
Unrealized gains	<hr/> 611,124	<hr/> 458,912

The Health Centre's bonds bear interest at varying rates between 2.00% and 5.25% per annum with maturity dates between June 2012 and June 2020.

The Health Centre's GIC's bear interest at varying rates between 2.95% and 5.00% per annum with maturity dates between August 2011 and November 2015.

BLIND RIVER DISTRICT HEALTH CENTRE**Notes to the Financial Statements****March 31, 2011****3. Capital Assets**

			2011	2010
	Cost	Accumulated	Net Book	Net Book
	\$	Amortization	Value	Value
	\$	\$	\$	\$
Land	65,599	—	65,599	65,599
Land improvements	420,812	392,700	28,112	48,288
Buildings	22,729,346	8,445,446	14,283,900	14,870,383
Equipment	6,392,321	4,949,823	1,442,498	1,396,186
Construction in progress	82,033	—	82,033	26,211
	29,690,111	13,787,969	15,902,142	16,406,667

4. Bank Financing

The Royal Bank of Canada has authorized a revolving demand credit facility to a maximum of \$200,000 which is unsecured and bears interest at the bank's prime rate of interest plus 0.3% per annum. At March 31, 2011, no amount has been drawn on this credit facility.

5. Accounts Payable and Accrued Liabilities

	2011	2010
	\$	\$
Ministry of Health	220,660	562,146
Trade and other payables	429,044	230,648
Employee benefits	275,394	115,774
Other accrued liabilities	992,455	783,412
	1,917,553	1,691,980

BLIND RIVER DISTRICT HEALTH CENTRE**Notes to the Financial Statements****March 31, 2011**

6. Employee Future Benefits

Blind River District Health Centre pays certain benefits on behalf of its retired employees. The Hospital recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued employee future benefits obligation in the amount of \$644,495 (2010 - \$584,893) and the expense for the period ended March 31, 2011 in the amount of \$86,060 (2010 - \$107,481) were determined using a discount rate of 6.0%.

	2011	2010
	\$	\$
Accrued benefit obligation beginning of year	584,893	506,380
Expense for the year	86,060	107,481
Benefits paid for the year	(26,458)	(28,968)
Accrued benefit obligation, end of year	644,495	584,893

The main assumptions employed for the valuation are as follows:

a) **General inflation**

Future general inflation levels as measured by changes in the Consumer Price Index ("CPI"), were assumed at 3.5% in 2011 and thereafter.

b) **Interest (discount) rate**

The employee future benefits obligation as at March 31, 2011 and the expense for the period then ended were determined using an annual discount rate of 6.0%. This corresponds to the assumed CPI rate plus an assumed real rate of return of 2.5%.

c) **Benefit costs**

Future general benefit costs were assumed to increase at 3% per annum.

d) **Turnover rate**

Turnover due to termination, resignation or mortality has been estimated at 3% per annum.

BLIND RIVER DISTRICT HEALTH CENTRE**Notes to the Financial Statements****March 31, 2011****7. Deferred capital contributions**

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations using the straight-line method at rates consistent with the assets to which they relate

	2011	2010
	\$	\$
Balance, beginning of year	10,577,269	10,672,444
Additional contributions received	160,827	402,719
Amounts amortized to revenue	(493,283)	(497,894)
Balance, end of year	10,244,813	10,577,269

8. Net assets invested in capital assets

	2011	2010
	\$	\$
Net assets invested in capital assets is calculated as follows:		
Capital assets	15,902,142	16,406,667
Amounts financed by deferred capital contributions	(10,244,813)	(10,577,269)
	5,657,329	5,829,398
Change in net assets invested in capital assets is calculated as follows:		
Amortization of deferred capital contributions	493,283	497,894
Amortization of capital assets	(983,533)	(968,350)
	(490,250)	(470,456)
Net change in investment in capital assets:		
Purchase of capital assets	551,939	875,811
Loss on disposal of capital assets	(72,931)	-
Deferred capital contributions received	(160,827)	(402,719)
	318,181	473,092
Change in net assets invested in capital assets	(172,069)	2,636

BLIND RIVER DISTRICT HEALTH CENTRE**Notes to the Financial Statements****March 31, 2011**

9. Other votes

	Revenue	Expenses	Surplus (Deficit)
	\$	\$	\$
Long-Term Care (Schedule 1)	1,346,649	1,613,790	(267,141)
Nurse Practitioner	123,442	150,761	(27,319)
Seniors Home Support	437,192	437,192	-
Diabetes Programs	92,882	93,504	(622)
Municipal Taxes	3,150	3,150	-
	<u>2,003,315</u>	<u>2,298,397</u>	<u>(295,082)</u>

10. Commitments and contingencies

The nature of the Health Centre's activities is such that there is often litigation pending or in prospect at any time. With respect to claims at March 31, 2011, management believes the Health Centre has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Health Centre's financial position.

11. Pension plan

Substantially all of the employees of the Health Centre are members of the Hospital 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 plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount together with the amounts contributed 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 generally to be funded by the participating members. The most recent actuarial valuation of the plan indicates the plan is fully funded. Contributions to the plan made during the year by the Health Centre on behalf of its employees amounted to \$501,305 (2010 - \$403,869) and are included in the statement of operations.

BLIND RIVER DISTRICT HEALTH CENTRE**Notes to the Financial Statements****March 31, 2011**

12. Financial Instruments

The Health Centre's financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities and employee future benefits obligation. It is management's opinion that the Health Centre is not exposed to significant interest or currency risks arising from these financial instruments and that the fair value of all financial instruments approximates their carrying value.

The Health Centre is exposed to credit risk with respect to its investments. The Health Centre has deposited investment funds with large reputable financial institutions, from which management believes the risk of loss to be remote.

13. Related entities**a) Blind River District Health Centre Auxiliary Inc.**

The Health Centre exercises significant influence over the Blind River District Health Centre Auxiliary Inc., an incorporated entity, whose primary function is to raise funds for the improvement of the Health Centre. The Health Centre and the Auxiliary have some common Board members and the Auxiliary reports to the CEO of the Health Centre

The net assets of the Auxiliary total \$26,530 at March 31, 2011 (2010 - \$32,481) and are available for use at the discretion of the Board. The net assets and results from operations of the Auxiliary are not included in the statements of the Health Centre. Separate financial statements for the Auxiliary are available upon request. Related party transactions not separately disclosed are donations from the Auxiliary to the Blind River District Health Centre Foundation in the amount of \$NIL (2010 - \$NIL).

b) Blind River District Health Centre Foundation

The Foundation is incorporated without share capital under the Corporations Act (Ontario) and is a registered charity under the Income Tax Act (Canada). The Health Centre controls the Blind River District Health Centre Foundation which raises funds from the community for the benefit of the Health Centre. The Members of the Foundation must elect a majority of its Board of Directors from the Board of Directors of the Health Centre.

The unrestricted net assets of the Foundation in the amount of \$623,672 (2010 - \$629,342) are available for use at the discretion of the Board, and restricted net assets in the amount of \$179,906 (2010 - \$96,934) are available for use of the Board as restricted by the donors requests. The net assets and results from operations of the Foundation are not included in the statements of the Health Centre. Separate financial statements for the Foundation are available upon request. Related party transactions not separately disclosed are donations from the Foundation to the Health Centre in the amount of \$NIL (2010 - \$11,078).

BLIND RIVER DISTRICT HEALTH CENTRE**Notes to the Financial Statements****March 31, 2011**

14. Capital Disclosure

The Health Centre considers its capital to be the balance maintained in its unrestricted and internally restricted net assets as well as its net assets from unrealized gains on its investments. The primary objective of the Health Centre in managing its capital is to maintain an adequate amount of working capital to finance on-going operations and capital assets acquisitions and replacements. Capital is invested under the direction of the Board of Directors with the objective of providing a reasonable rate of return, minimizing investment risk and ensuring adequate liquid investments are on-hand to finance current cash flow requirements.

SCHEDULE 1**BLIND RIVER DISTRICT HEALTH CENTRE**
Schedule of Long-Term Care Operations
Year ended March 31, 2011 with comparative figures for 2010

	2011	2010
	\$	\$
Revenue		
Provincial Ministry of Health	871,674	830,755
Co-payments	369,019	335,040
Other patient revenue	—	7,505
Preferred accommodations	22,571	16,432
Recoveries and other revenue	64,504	52,500
Amortization of deferred capital contributions	18,881	17,653
	1,346,649	1,259,885
Nursing Expenses		
Salaries and benefits	849,742	744,200
Supplies and other	56,118	76,286
Program and Support Expenses		
Salaries and benefits	39,767	67,380
Supplies and other	1,207	466
Accommodation Expenses		
Salaries and benefits	156,434	132,133
Supplies and other	62,189	96,576
Plant operations	74,817	66,816
Purchased services	275,858	233,639
Food costs	69,935	75,924
Amortization of capital assets	27,723	27,469
	1,613,790	1,520,889
Deficiency of revenue over expenses	(267,141)	(261,004)

See accompanying notes to the financial statements