



**FREELANDT CALDWELL REILLY LLP**  
CHARTERED ACCOUNTANTS

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**BLIND RIVER DISTRICT HEALTH CENTRE**

**Year Ended March 31, 2009**

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**AUDITORS' REPORT**

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

We have audited the statement of financial position of the **Blind River District Health Centre** as at March 31, 2009, and the statement of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Health Centre as at March 31, 2009, and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian general accepted accounting principles.

**FREELANDT CALDWELL REILLY LLP**

Chartered Accountants  
Licensed Public Accounts

Espanola, Ontario  
May 8, 2009

**BLIND RIVER DISTRICT HEALTH CENTRE**  
**Statement of Financial Position**  
**March 31, 2009 with comparative figures for 2008**

	2009 \$	2008 \$
<b>Assets</b>		
<b>Current</b>		
Cash	763,582	767,234
Accounts receivable	337,190	164,190
Inventories	235,007	227,357
Prepaid expenses	153,032	149,393
	1,488,811	1,308,174
<b>Investments (note 2)</b>	5,167,916	5,364,653
<b>Capital assets (note 3)</b>	16,499,206	17,235,268
	23,155,933	23,908,095
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (note 4)	1,824,908	1,707,408
Employee future benefits obligation (note 5)	506,380	439,110
Deferred capital contributions (note 6)	10,672,444	11,205,257
	13,003,732	13,351,775
<b>Net Assets</b>		
Invested in capital assets (note 7)	5,826,762	6,030,011
Unrestricted	37,509	3,700,000
Internally restricted	4,180,220	380,220
Unrealized gains (note 2)	107,710	446,089
	10,152,201	10,556,320
	23,155,933	23,908,095

Approved on behalf of the board of directors.

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See accompanying notes to the financial statements.

**BLIND RIVER DISTRICT HEALTH CENTRE**  
**Statement of Operations**  
**Year ended March 31, 2009 with comparative figures for 2008**

	2009	2008
	\$	\$
<b>Revenue</b>		
Provincial Ministry of Health – patient care	8,227,628	8,016,113
Other patient revenue	305,985	300,482
Co-payments	303,699	304,311
Preferred accommodation	196,662	69,731
Recoveries and other revenue	1,996,297	1,964,912
Amortization of deferred capital contributions related to allowable capital assets	209,832	218,377
	<b>11,240,103</b>	<b>10,873,926</b>
<b>Expenses</b>		
Salaries and wages	5,343,771	5,107,646
Medical staff remuneration	1,431,140	1,400,625
Employee benefits	1,443,619	1,306,085
Supplies and other expenses	1,884,556	1,739,657
Medical and surgical supplies	121,399	105,460
Drugs	193,259	166,726
Bad debts (recovery)	(7,972)	30,052
Amortization of allowable capital assets	538,711	570,920
	<b>10,948,483</b>	<b>10,427,171</b>
<b>Excess of revenue over expenses from hospital operations</b>	<b>291,620</b>	<b>446,755</b>
<b>Other revenue</b>		
Other votes and programs (note 8)	1,801,636	1,707,379
Other recoveries	–	540,766
Amortization of deferred capital contributions related to non-allowable capital assets	398,206	390,405
Investment income	166,504	183,388
	<b>2,366,346</b>	<b>2,821,938</b>
<b>Other expenses</b>		
Other votes and programs (note 8)	2,080,596	1,985,154
Other salaries and wages	–	540,766
Amortization of non-allowable capital assets	551,267	541,557
Employee future benefits expense (note 5)	91,843	54,728
	<b>2,723,706</b>	<b>3,122,205</b>
<b>Excess of revenue over expenses</b>	<b>(65,740)</b>	<b>146,488</b>

See accompanying notes to the financial statements.

**BLIND RIVER DISTRICT HEALTH CENTRE**

**Statement of Changes in Net Assets**

**Year ended March 31, 2009 with comparative figures for 2008**

	Invested in capital assets \$	Unrestricted Health Centre \$	Unrestricted Long-term Care \$	Internally Restricted \$	Unrealized Gains (losses) \$	2009 Total \$	2008 Total \$
Balance, beginning of year	6,030,011	5,153,862	(1,453,862)	380,220	446,089	10,556,320	10,480,416
Excess of revenue over expenses	(500,521)	705,096	(250,080)	(20,235)	-	(65,740)	146,488
Net changes in investment in capital assets	297,272	(278,001)	(19,271)	-	-	-	-
Amounts moved to restricted	-	(3,820,235)	-	3,820,235	-	-	-
Unrealized losses on investments	-	-	-	-	(338,379)	(338,379)	(70,584)
Balance, end of year	5,826,762	1,760,722	(1,723,213)	4,180,220	107,710	10,152,201	10,556,320

See accompanying notes to the financial statements.

**BLIND RIVER DISTRICT HEALTH CENTRE**  
**Statement of Cash Flows**  
**Year ended March 31, 2009 with comparative figures for 2008**

	2009 \$	2008 \$
Cash provided by operations		
Excess of revenue over expenses	(65,740)	146,488
Items not requiring cash		
Amortization of capital assets	1,116,678	1,013,910
Amortization of contributions related to capital assets	(616,157)	(638,841)
	434,781	521,557
Change in non-cash, working capital items		
Accounts receivable	(173,000)	42,905
Inventories	(7,650)	(11,788)
Prepaid expenses	(3,639)	(48,422)
Accounts payable	117,500	293,845
Employee future benefits obligation	67,270	34,094
	435,262	832,191
Investing activities		
Purchase of investments	(141,642)	(847,081)
Purchase of capital assets	(380,616)	(449,766)
	(522,258)	(1,296,847)
Financing activities		
Deferred capital contributions received	83,344	347,044
Net decrease in cash	(3,652)	(117,612)
Cash, beginning of year	767,234	884,846
Cash, end of year	763,582	767,234

See accompanying notes to the financial statements.

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**BLIND RIVER DISTRICT HEALTH CENTRE****Notes to the Financial Statements****March 31, 2009**

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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, 2009.

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.

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**BLIND RIVER DISTRICT HEALTH CENTRE****Notes to the Financial Statements****March 31, 2009**

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**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. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Minor capital equipment with a cost less than \$3,000 is charged to operations in the year of acquisition. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Health Centre's ability to provide services, its carrying amount is written down to its residual value.

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

Land improvements	10%
Buildings	2%
Building service equipment	5%
Equipment	5% - 20%

**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, 2009****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 Hospital. The Hospital 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**

	2009	2008
	\$	\$
Cost:		
Bonds	3,589,575	3,760,292
Mutual funds	1,470,631	1,158,272
	<u>5,060,206</u>	<u>4,918,564</u>
Market value:		
Bonds	3,610,220	3,773,085
Mutual funds	1,557,696	1,591,568
	<u>5,167,916</u>	<u>5,364,653</u>
Unrealized gains	<u>107,710</u>	<u>446,089</u>

The Hospital's bonds bear interest at varying rates between 3.75% and 5.75% per annum with maturity dates between June 2009 and June 2020.

**BLIND RIVER DISTRICT HEALTH CENTRE**

## Notes to the Financial Statements

March 31, 2009

**3. Capital Assets**

			2009	2008
	Cost	Accumulated	Net Book	Net Book
	\$	Amortization	Value	Value
	\$	\$	\$	\$
Land	65,599	-	65,599	65,599
Land improvements	420,811	350,356	70,455	90,625
Buildings	22,362,227	7,366,931	14,995,296	15,513,279
Equipment	7,249,955	6,146,576	1,103,379	1,551,591
Construction in progress	264,477	-	264,477	14,174
	<u>30,363,069</u>	<u>13,863,863</u>	<u>16,499,206</u>	<u>17,235,268</u>

**4. Accounts Payable and Accrued Liabilities**

	2009	2008
	\$	\$
Ministry of Health	555,272	277,963
Trade and other payables	523,332	662,524
Employee benefits	149,639	158,160
Other accrued liabilities	596,665	608,761
	<u>1,824,908</u>	<u>1,707,408</u>

**5. 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 \$506,380 (2008 - \$439,110) and the expense for the period ended March 31, 2009 in the amount of \$91,843 (2008 - \$54,728) were determined using a discount rate of 6.0%.

	2009	2008
	\$	\$
Accrued benefit obligation beginning of year	439,110	405,016
Expense for the year	91,843	54,728
Benefits paid for the year	(24,573)	(20,634)
Accrued benefit obligation, end of year	<u>506,380</u>	<u>439,110</u>

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**BLIND RIVER DISTRICT HEALTH CENTRE****Notes to the Financial Statements****March 31, 2009**

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**5. Employee Future Benefits (continued)**

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 2008 and thereafter.

**b) Interest (discount) rate**

The employee future benefits obligation as at March 31, 2009 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.

**6. 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

	2009	2008
	\$	\$
Balance, beginning of year	11,205,257	11,497,054
Additional contributions received	83,344	347,044
Amounts amortized to revenue	(616,157)	(638,841)
Balance, end of year	<u>10,672,444</u>	<u>11,205,257</u>

**BLIND RIVER DISTRICT HEALTH CENTRE****Notes to the Financial Statements****March 31, 2009****7. Net assets invested in capital assets**

	2009	2008
	\$	\$
<b>Net assets invested in capital assets is calculated as follows:</b>		
Capital assets	16,499,206	17,235,268
Amounts financed by deferred capital contributions	(10,672,444)	(11,205,257)
	<u>5,826,762</u>	<u>6,030,011</u>
<b>Change in net assets invested in capital assets is calculated as follows:</b>		
Amortization of deferred capital contributions	616,157	638,841
Amortization of capital assets	(1,116,678)	(1,013,910)
	<u>(500,521)</u>	<u>(375,069)</u>
<b>Net change in investment in capital assets:</b>		
Purchase of capital assets	380,616	449,766
Deferred capital contributions received	(83,344)	(347,044)
	<u>297,272</u>	<u>102,722</u>
<b>Change in net assets invested in capital assets</b>	<u>(203,249)</u>	<u>(272,347)</u>

**8. Other votes**

	Revenue	Expenses	Surplus (Deficit)
	\$	\$	\$
Long-Term Care (Schedule 1)	1,194,937	1,464,288	(269,351)
Nurse Practitioner	128,351	147,156	(18,805)
Seniors Home Support	382,276	360,454	21,822
Diabetes Programs	79,800	79,516	284
Municipal Taxes	3,150	3,150	-
Other Funded Programs	13,122	26,032	(12,910)
	<u>1,801,636</u>	<u>2,080,596</u>	<u>(278,960)</u>

**9. Commitments and contingencies**

The nature of the Health Centre's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2009, 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.

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**BLIND RIVER DISTRICT HEALTH CENTRE****Notes to the Financial Statements****March 31, 2009**

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**10. 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 \$371,199 (2008 - \$373,853) and are included in the statement of operations.

**11. Financial Instruments**

The Hospital'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 Hospital is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair value of all financial instruments approximates their carrying value.

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**BLIND RIVER DISTRICT HEALTH CENTRE****Notes to the Financial Statements****March 31, 2009**

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**12. 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 \$36,186 at March 31, 2009 (2008 - \$35,501) 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 \$12,000 (2008 - \$12,000).

**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 Hospital controls the Blind River District Health Centre Foundation which raises funds from the community for the benefit of the Hospital. The Members of the Foundation must elect a majority of its Board of Directors from the Board of Directors of the Hospital.

The unrestricted net assets of the Foundation in the amount of \$611,015 (2008 - \$554,193) are available for use at the discretion of the Board, and restricted net assets in the amount of \$85,976 (2008 - \$85,976) 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 \$120 (2008-\$12,080.)

## SCHEDULE 1

**BLIND RIVER DISTRICT HEALTH CENTRE**  
**Schedule of Long-Term Care Operations**  
**Year ended March 31, 2009 with comparative figures for 2008**

	2009	2008
	\$	\$
<b>Revenue</b>		
Provincial Ministry of Health	791,397	702,355
Co-payments	325,818	327,072
Other patient revenue	49,999	87,170
Preferred accommodations	21,080	25,383
Recoveries and other revenue	—	31,557
Amortization of deferred capital contributions	6,643	28,640
	<b>1,194,937</b>	<b>1,202,177</b>
<b>Nursing Expenses</b>		
Salaries and benefits	755,493	729,981
Supplies and other	52,221	58,940
<b>Program and Support</b>		
Salaries and benefits	61,704	59,969
Supplies and other	2,775	1,942
<b>Accommodation Expenses</b>		
Salaries and benefits	118,143	117,959
Supplies and other	63,948	35,773
Plant operations	63,706	60,507
Purchased services	250,208	213,456
Food costs	70,176	61,641
Administration	—	12,623
Bad debts	—	17,037
Amortization of capital assets	25,914	36,813
	<b>1,464,288</b>	<b>1,406,641</b>
<b>Deficiency of revenue over expenses</b>	<b>(269,351)</b>	<b>(204,464)</b>

See accompanying notes to the financial statements