

HORNEPAYNE COMMUNITY HOSPITAL

**INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS**

MARCH 31, 2011

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Hornepayne Community Hospital

We have audited the accompanying financial statements of Hornepayne Community Hospital, 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 auditor's 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.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Hornepayne Community Hospital as at March 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow

Chartered Accountants
Licenced Public Accountants
May 13, 2011

HORNEPAYNE COMMUNITY HOSPITAL

FINANCIAL STATEMENTS

MARCH 31, 2011

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HORNEPAYNE COMMUNITY HOSPITAL**STATEMENT OF OPERATIONS**

YEAR ENDED MARCH 31, 2011

	2011	2010
REVENUES		
Ministry of Health and Long-Term Care	\$ 3,985,848	\$ 3,876,824
Patient related	325,719	356,212
Investment and other	418,918	470,090
Amortization of deferred capital financing - equipment	59,087	184,441
OHIP funding	48,746	44,969
	<u>4,838,318</u>	<u>4,932,536</u>
EXPENSES		
Salaries and wages	2,523,510	2,545,842
Pension benefit - HOOPP	200,802	208,620
Employee future benefits	24,600	24,600
Other employee benefits	507,781	469,904
Medical staff remuneration	118,024	108,287
Medical and surgical supplies	37,783	33,550
Drug and medical gases	45,481	34,380
Equipment repair and maintenance	141,975	203,839
Amortization of equipment	263,124	335,528
Referred out	50,505	48,669
Building and ground	209,331	210,577
Supplies and other expenses	672,026	707,205
	<u>4,794,942</u>	<u>4,931,001</u>
EXCESS OF REVENUES OVER EXPENSES	<u>43,376</u>	<u>1,535</u>
OTHER PROGRAMS		
Revenues	138,659	131,946
Expenses	(145,461)	(132,354)
	<u>(6,802)</u>	<u>(408)</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE BUILDING AMORTIZATION AND INTERDEPARTMENTAL ACTIVITIES	<u>36,574</u>	<u>1,127</u>
BUILDING AMORTIZATION		
Amortization of deferred capital financing - building	169,898	179,243
Amortization of building	(205,103)	(207,330)
	<u>(35,205)</u>	<u>(28,087)</u>
INTERDEPARTMENTAL ACTIVITIES		
Recoveries	55,313	27,918
Charges	(55,313)	(27,918)
	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	<u>\$ 1,369</u>	<u>\$ (26,960)</u>

HORNEPAYNE COMMUNITY HOSPITAL

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2011

	Investment in Property and Equipment (Note 8)	Unrestricted	Total 2011	Total 2010
BALANCE, BEGINNING OF YEAR	\$ 1,050,098	\$ 1,129,091	\$ 2,179,189	\$ 2,206,149
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	-	1,369	1,369	(26,960)
NET CHANGE IN INVESTMENT IN PROPERTY AND EQUIPMENT (note 8)	47,925	(47,925)	-	-
BALANCE, END OF YEAR	\$ 1,098,023	\$ 1,082,535	\$ 2,180,558	\$ 2,179,189

HORNEPAYNE COMMUNITY HOSPITAL**STATEMENT OF FINANCIAL POSITION****MARCH 31, 2011**

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash	\$ -	\$ 47,536
Short term investments (note 3)	2,010,939	1,925,791
Accounts receivable	421,047	149,756
Inventories	122,089	113,394
Prepaid expenses	38,875	44,684
	<u>2,592,950</u>	<u>2,281,161</u>
PROPERTY AND EQUIPMENT (note 4)	<u>3,945,745</u>	<u>4,067,915</u>
	<u>\$ 6,538,695</u>	<u>\$ 6,349,076</u>
LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES		
Bank indebtedness (note 5)	\$ 19,466	\$ -
Accounts payable and accrued liabilities	698,999	510,743
Deferred grants	453,451	321,842
	<u>1,171,916</u>	<u>832,585</u>
DEFERRED CAPITAL FINANCING (note 6)	2,847,722	3,017,817
OBLIGATION FOR RETIREMENT BENEFITS (note 7)	<u>338,499</u>	<u>319,485</u>
	<u>4,358,137</u>	<u>4,169,887</u>
NET ASSETS		
Investment in property and equipment	1,098,023	1,050,098
Unrestricted surplus	<u>1,082,535</u>	<u>1,129,091</u>
	<u>2,180,558</u>	<u>2,179,189</u>
	<u>\$ 6,538,695</u>	<u>\$ 6,349,076</u>

HORNEPAYNE COMMUNITY HOSPITAL

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2011

	2011	2010
OPERATING ACTIVITIES		
Excess of revenues over expenses (expenses over revenues)	\$ 1,369	\$ (26,960)
Items not involving cash:		
Amortization of property and equipment	468,227	542,858
Amortization of deferred capital financing	<u>(228,985)</u>	<u>(363,683)</u>
	240,611	152,215
Changes in:		
Accounts receivable	(271,291)	(24,670)
Inventories	(8,695)	(2,874)
Prepaid expenses	5,809	(11,308)
Accounts payable and accrued liabilities	188,256	98,448
Deferred grants	131,609	(25,859)
Employee post-retirement benefits payable	<u>19,014</u>	<u>19,982</u>
	<u>305,313</u>	<u>205,934</u>
INVESTMENT ACTIVITIES		
Project in progress	-	26,610
Purchase of property and equipment	(346,057)	(581,377)
Contributions and capital grants received	<u>58,890</u>	<u>209,629</u>
	<u>(287,167)</u>	<u>(345,138)</u>
INCREASE (DECREASE) IN CASH POSITION	18,146	(139,204)
CASH POSITION, BEGINNING OF YEAR	<u>1,973,327</u>	<u>2,112,531</u>
CASH POSITION, END OF YEAR	<u>\$ 1,991,473</u>	<u>\$ 1,973,327</u>
CASH POSITION IS COMPRISED OF:		
Cash	\$ -	\$ 47,536
Short term investments	2,010,939	1,925,791
Bank indebtedness	<u>(19,466)</u>	<u>-</u>
	<u>\$ 1,991,473</u>	<u>\$ 1,973,327</u>

HORNEPAYNE COMMUNITY HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

1. STATUS AND NATURE OF ACTIVITIES

The corporation without share capital, incorporated under the Ontario Business Corporation Act, operates a Hospital under the Charitable Institutions Act in Hornepayne, Ontario.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

i) The financial statements have been prepared using the deferral method of accounting. Under the deferral method revenues are recorded in the period to which they relate.

ii) The acquisition of property and equipment are recorded at their historical cost with annual amortization calculated on a straight line basis using rates as set out in the Canadian Hospital Accounting Manual and as required by the Ministry of Health and Long-Term Care in the Province of Ontario.

Property and equipment are amortized on a straight-line basis over their estimated useful life using the following rates:

Land improvements	10 %
Buildings	2.5 % - 5 %
Building service equipment	5 % - 10 %
Equipment	5 % - 20 %

iii) The revenues, expenditures, assets and liabilities with respect to the operations of the Hospital Auxiliary are not reflected in these financial statements except to the extent that the funds have been received from or disbursed to them.

iv) Inventories of all Hospital supplies are valued at their current cost to the Hospital and include only those supplies located in central storage areas and not supplies that have been issued to departments for direct patient care.

v) Investments are recorded at cost. Should the market value of investments become lower than cost and this decline in value is considered to be other than temporary, the investments would be written down to market value.

vi) Grants and donations received for the acquisition of specific property and equipment are recorded as deferred capital financing and recognized in the accounts by straight line amortization over the useful life of the designated asset.

HORNEPAYNE COMMUNITY HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

vii) Under the Health Insurance Act and the regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care.

viii) The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they become known.

3. SHORT TERM INVESTMENTS

	2011		2010	
	Cost	Market Value	Cost	Market Value
Cash and equivalents	\$ 3,063	\$ 3,063	\$ 15,919	\$ 15,919
Bonds, interest rates between 4.75 %, and 7.91 %, maturing between May 2011 and May 2024	1,819,567	1,780,039	1,729,644	1,790,235
Mutual funds	188,309	196,884	180,228	185,834
	\$ 2,010,939	\$ 1,979,986	\$ 1,925,791	\$ 1,991,988

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	2011	2010
			Net	Net
Land improvements	\$ 86,826	\$ 53,923	\$ 32,903	\$ 38,778
Buildings	6,199,545	3,240,962	2,958,583	3,120,085
Building service equipment	502,977	216,251	286,726	296,926
Equipment	3,841,521	3,173,988	667,533	612,126
	\$ 10,630,869	\$ 6,685,124	\$ 3,945,745	\$ 4,067,915

HORNEPAYNE COMMUNITY HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2011****5. BANK INDEBTEDNESS**

The Hospital has an unsecured authorized line of credit of \$ 200,000 bearing interest at prime.

6. DEFERRED CAPITAL FINANCING

	2011	2010
CAPITAL GRANTS AND CONTRIBUTIONS RECEIVED		
Balance, beginning of year	\$ 7,232,082	\$ 7,022,453
Received in current year	<u>58,890</u>	<u>209,629</u>
Balance, end of year	<u>7,290,972</u>	<u>7,232,082</u>
ACCUMULATED AMORTIZATION		
Balance, beginning of year	4,214,265	3,850,582
Amortization in the year	<u>228,985</u>	<u>363,683</u>
Balance, end of year	<u>4,443,250</u>	<u>4,214,265</u>
NET DEFERRED CAPITAL FINANCING	\$ 2,847,722	\$ 3,017,817

7. OBLIGATION FOR RETIREMENT BENEFITS

The Hospital provides extended healthcare, dental and life insurance benefits to substantially all full time employees. The cost of premiums for these benefits is shared by the Hospital and its full-time employees.

At March 31, 2011, the Hospital's accrued benefit obligation relating to post-retirement benefit plans is \$ 338,499 (2010 - \$ 319,485).

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

Discount rate	5.0 %
Dental benefits cost escalation	4.0 %
Extended health care cost escalation	7.5 % in 2011; decreasing by 0.5 % per annum to an ultimate rate of 5.0 %

HORNEPAYNE COMMUNITY HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2011****7. OBLIGATION FOR RETIREMENT BENEFITS (cont'd)**

Included in employee benefits on the statement of operations is an amount of \$ 15,827 (2010 - \$ 18,839) regarding employee post-retirement benefits. This amount is comprised of:

	2011	2010
Additional benefit expense as a result of actuarial valuation	\$ 24,600	\$ 24,600
Payments made by the Hospital during the year	<u>(8,773)</u>	<u>(5,761)</u>
	\$ 15,827	\$ 18,839

8. INVESTMENT IN PROPERTY AND EQUIPMENT

Investment in property and equipment is calculated as follows:

	2011	2010
Property and equipment	\$ 3,945,745	\$ 4,067,915
Amounts financed by deferred capital financing	<u>2,847,722</u>	<u>3,017,817</u>
	\$ 1,098,023	\$ 1,050,098

Change in investment in property and equipment is calculated as follows:

Purchase of property and equipment	\$ 346,057	\$ 581,377
Amounts funded by deferred capital financing	(58,890)	(209,629)
Amortization of deferred capital financing	228,985	363,683
Amortization of property and equipment	<u>(468,227)</u>	<u>(542,858)</u>
	\$ 47,925	\$ 192,573

9. PENSION PLAN

Substantially all of the employees of the Hospital are members of the Hospitals of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Contributions to the plan made during the year by the Hospital on behalf of its employees amounted to \$ 200,802 (2010 - \$ 208,620) and are included in the statement of operations.

HORNEPAYNE COMMUNITY HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

10. COMPARATIVE FIGURES

The presentation of certain accounts of the previous year has been changed to conform with the presentation adopted for the current year.

11. FINANCIAL INSTRUMENTS

The Hospital's financial instruments consists of cash, short term investments, accounts receivable, accounts payable and accrued liabilities, post-retirement benefits payable and deferred grants. 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 approximated their carrying values, unless otherwise noted.
