

ENGLEHART AND DISTRICT HOSPITAL INC.

(A Corporation without share capital incorporated under the Laws of Ontario)

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
and Members of Englehart and District Hospital

We have audited the accompanying financial statements of ENGLEHART AND DISTRICT HOSPITAL INC., which comprise the statement of financial position as at March 31, 2012, 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.

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 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.

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 ENGLEHART AND DISTRICT HOSPITAL INC. as at March 31, 2012, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Kemp Elliott & Blair LLP

Licensed Public Accountants
New Liskeard, Ontario
June 7, 2012

Kemp Elliott & Blair LLP
Chartered Accountants

ENGLEHART AND DISTRICT HOSPITAL INC.

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STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2012

ASSETS	2012	2011
Current		
Cash	\$ 681,754	\$ 765,399
Short term investments – note 3	306,227	517,861
Accounts receivable	212,616	222,228
Inventories	131,874	108,411
Prepaid expenses	39,264	40,260
	<u>1,371,735</u>	<u>1,654,159</u>
Capital		
Land, buildings and equipment - note 4	<u>4,532,057</u>	<u>4,988,251</u>
	<u>\$ 5,903,792</u>	<u>\$ 6,642,410</u>
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	\$ 576,246	\$ 613,205
Current portion of long term debt – note 6	-	30,000
	<u>576,246</u>	<u>643,205</u>
Long term		
Deferred capital grants and donations – note 5	2,978,324	2,776,290
Long term debt – note 6	-	512,500
	<u>2,978,324</u>	<u>3,288,790</u>
Net assets		
Unrestricted	<u>2,349,222</u>	<u>2,710,415</u>
	<u>\$ 5,903,792</u>	<u>\$ 6,642,410</u>

Approved on behalf of the Board

_____ Director

_____ Director

The accompanying notes form an integral part of these financial statements.

ENGLEHART AND DISTRICT HOSPITAL INC.

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STATEMENT OF CHANGES IN NET ASSETS**FOR THE YEAR ENDED MARCH 31, 2012**

	<u>2012</u>	<u>2011</u>
Net assets, beginning of year	\$ 2,710,415	\$ 2,910,741
Excess (deficiency) of revenue over expenses	<u>(361,193)</u>	<u>(200,326)</u>
Net assets, end of year	\$ 2,349,222	\$ 2,710,415

The accompanying notes form an integral part of these financial statements.

ENGLEHART AND DISTRICT HOSPITAL INC.

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STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2012

	2012	2011
Revenue		
Ministry of Health	\$ 5,682,633	\$ 5,434,523
OHIP funded services	191,324	195,920
Patient services	42,603	47,795
Differential and co-payment	301,772	278,048
Recoveries, donations, grants and other	714,808	772,396
Interest and investment income	8,820	7,312
Amortization of deferred capital grants and donations	118,751	134,030
Gain on disposal of capital assets	-	5,500
	<u>7,060,711</u>	<u>6,875,524</u>
Expenses		
Salaries and wages - schedule - page 6	3,765,747	3,645,930
Employee benefits	992,996	969,160
Medical staff remuneration	279,641	264,828
Medical and surgical supplies	127,560	101,264
Drugs	139,158	123,391
Equipment expense	246,881	223,330
Referred out expense	390,243	301,926
Buildings and ground	93,237	78,099
Other supplies and expenses - schedule - page 6	913,796	904,623
Bad debt expense (recovery)	15,021	(2,520)
Amortization - equipment	305,602	320,161
	<u>7,269,882</u>	<u>6,930,192</u>
Operating surplus (deficit)	(209,171)	(54,668)
Add: Amortization of deferred capital grants and donations – buildings and land improvements	87,335	84,471
Less: Amortization – buildings and land improvements	<u>(239,357)</u>	<u>(230,129)</u>
Excess (deficiency) of revenue over expenses	<u>\$ (361,193)</u>	<u>\$ (200,326)</u>

The accompanying notes form an integral part of these financial statements.

ENGLEHART AND DISTRICT HOSPITAL INC.

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2012

	2012	2011
Operating activities		
Excess (deficiency) of revenue over expenses	\$ (361,193)	\$ (200,326)
Charges not affecting cash -		
Gain (loss) on disposal of capital assets	-	(5,500)
Amortization of deferred capital grants and donations	(118,751)	(134,030)
Amortization of deferred capital grants and donations – buildings and land improvements	(87,335)	(84,471)
Amortization - equipment	305,602	320,161
Amortization – buildings and land improvements	239,357	230,129
	<u>(22,320)</u>	<u>125,963</u>
Net change in non-cash working capital items -		
Accounts receivable	9,612	41,399
Inventories	(23,463)	(5,346)
Prepaid expenses	996	17,249
Accounts payable and accrued liabilities	(36,959)	(72,532)
	<u>(49,814)</u>	<u>(19,230)</u>
Cash provided by (used for) operating activities	<u>(72,134)</u>	<u>106,733</u>
Investing activities		
Acquisition of capital assets	(88,765)	(148,342)
Disposal of capital assets	-	5,500
Cash used for investing activities	<u>(88,765)</u>	<u>(142,842)</u>
Financing activities		
Deferred capital grants and donations received	408,120	275,085
Long term debt advances (net of repayments)	(542,500)	(30,000)
Cash provided by (used for) financing activities	<u>(134,380)</u>	<u>245,085</u>
Increase (decrease) in cash	<u>(295,279)</u>	<u>208,976</u>
Cash, beginning of year	<u>1,283,260</u>	<u>1,074,284</u>
Cash, end of year	<u>\$ 987,981</u>	<u>\$ 1,283,260</u>
Represented by		
Cash	\$ 681,754	\$ 765,399
Short term investments	<u>306,227</u>	<u>517,861</u>
	<u>\$ 987,981</u>	<u>\$ 1,283,260</u>

The accompanying notes form an integral part of these financial statements.

ENGLEHART AND DISTRICT HOSPITAL INC.

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SCHEDULE OF EXPENSES**FOR THE YEAR ENDED MARCH 31, 2012**

	2012	2011
Salaries and wages		
Nursing services	\$ 1,712,454	\$ 1,536,593
Ambulatory care services	100,967	64,075
Diagnostic and therapeutic services	654,244	624,341
Administration and support services	1,102,184	1,187,662
Medical clinic	195,898	233,259
	<u>\$ 3,765,747</u>	<u>\$ 3,645,930</u>
 Other supplies and expenses		
Nursing services	\$ 53,356	\$ 33,162
Ambulatory care services	5,259	4,463
Diagnostic and therapeutic services	234,307	265,864
Administration and support services	576,044	558,981
Medical clinic and housing	44,830	42,153
	<u>\$ 913,796</u>	<u>\$ 904,623</u>

ENGLEHART AND DISTRICT HOSPITAL INC.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

The financial statements reflect the assets, liabilities and operations of the Englehart and District Hospital. The financial statements do not include the assets, liabilities, and activities of any organization such as the Volunteer Organizations which, although associated with the Hospital, are not operated by it.

1. **Significant accounting policies**

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as follows:

Revenue recognition

The Hospital follows the deferral method of accounting for contributions.

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 Ministry of Health and Long-Term Care. These financial statements reflect agreed funding arrangements approved by the Ministry. 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.

Pledges

The amount of any pledges to donate funds to the hospital is not included in revenues until such time as funds are received.

Inventories

Inventories are valued at the lower of average cost and replacement value.

Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives. Construction in progress is not amortized until the project is complete and the facilities come into use.

Deferred capital grants and donations

Donations and grants for the purchase of capital assets are deferred and amortized over the life of the assets to which they relate.

Use of estimates

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 and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known.

2. **Financial instruments**

Financial instruments consist of cash, short term investments, accounts receivable, accounts payable and accrued liabilities and long term debt. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The carrying values of the organization's financial instruments approximate their fair values unless otherwise noted.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

3. **Short term investments**

The short term investments of \$306,227 (2011 \$517,861) are classified as held-for-trading due to their short term nature and are recorded at market value.

Investments held are:

	2012	2011
CIBC Guaranteed Investment Certificates	\$ 306,227	\$ 517,861

4. **Capital assets**

	Cost	Accumulated Amortization	2012 Net	2011 Net
Land	\$ 42,728	\$ -	\$ 42,728	\$ 42,728
Land improvements	209,702	177,986	31,716	38,275
Buildings	6,337,499	2,674,182	3,663,317	3,846,216
Equipment	5,390,582	4,596,286	794,296	1,061,032
	<u>\$ 11,980,511</u>	<u>\$ 7,448,454</u>	<u>\$ 4,532,057</u>	<u>\$ 4,988,251</u>

5. **Deferred capital grants and donations**

	Grants/ Donations	Accumulated Amortization	2012 Net	2011 Net
Lions Club Donations	\$ 148,772	\$ 9,393	\$ 139,379	\$ 142,563
Auxiliary and other Donations	491,270	62,005	429,265	402,280
Frog's Breath Donation	25,000	1,875	23,125	23,750
Fednor Grants	267,786	198,251	69,535	95,153
Englehart Family Health Team – clinic expansion	1,359,796	97,655	1,262,141	1,295,355
Ministry of Health – Medical equipment	1,720,442	688,256	1,032,186	806,616
Other	26,716	4,023	22,693	10,573
	<u>\$ 4,039,782</u>	<u>\$ 1,061,458</u>	<u>\$ 2,978,324</u>	<u>\$ 2,776,290</u>

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NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED MARCH 31, 2012**

6. Long term debt	2012	2011
CIBC term loan, repayable in monthly principal payments of \$2,500 plus interest at 3.55%, paid out in May 2011.	\$ -	\$ 542,500
Less: Current portion	-	30,000
	\$ -	\$ 512,500

7. Pension plan

Substantially all of the employees of the Hospital are eligible to be members of the Hospital of Ontario Pension Plan, which is a multi-employer final average pay contributory pension plan. Employer contributions made to the plan during the year by the Hospital amounted to \$281,246 (2011 \$295,210). These amounts are included in employee benefits expense in the statement of revenue and expenses.