

ANSON GENERAL HOSPITAL

**INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS**

MARCH 31, 2014



Collins Barrow

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Anson General Hospital

Report on the Financial Statements

We have audited the accompanying financial statements of Anson General Hospital, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, remeasurement gains and losses, 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 Public Sector Accounting Standards for Government Not-for-Profit Organizations, 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.

INDEPENDENT AUDITOR'S REPORT, (CONT'D)

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 organization'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 organization'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 Anson General Hospital as at March 31, 2014, and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations.

Other Matter

The statements of financial position as at March 31, 2013 and the statements of operations, remeasurement gains and losses, changes in net assets and cash flows for the year then ended, were audited by another auditor who expressed an unmodified audit opinion on those statements dated June 11, 2013.

Collins Barrow Gagné Gagnon Bisson Hébert

Chartered Accountants
Licenced Public Accountants
June 18, 2014

ANSON GENERAL HOSPITAL

FINANCIAL STATEMENTS

MARCH 31, 2014

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ANSON GENERAL HOSPITAL**STATEMENT OF OPERATIONS****YEAR ENDED MARCH 31, 2014**

	Budget (Unaudited)	2014 Actual	2013 Actual
REVENUES			
Ministry of Health and Long-Term Care, schedule 1	\$ 7,655,662	\$ 7,805,420	\$ 7,722,034
Ontario Health Insurance	217,600	207,240	217,699
Other patient care revenue	291,950	260,714	261,784
Recoveries and other income	411,920	468,948	537,714
Investment income	72,256	25,466	19,921
Amortization of deferred capital contributions - equipment	60,000	39,571	47,136
Cochrane Regional Lab Program	306,050	306,050	306,050
	<u>9,015,438</u>	<u>9,113,409</u>	<u>9,112,338</u>
EXPENSES			
Salaries and wages, schedule 2	4,284,837	4,494,159	4,584,118
Employee benefits	1,282,200	1,351,391	1,308,275
Medical staff remuneration	200,500	218,972	375,389
Supplies and other expenses, schedule 3	2,235,426	2,517,658	2,219,318
Medical and surgical supplies	216,550	232,269	213,680
Drugs and medical gases	212,000	197,714	216,926
Amortization of equipment	230,254	186,256	180,806
Cochrane Regional Lab Program	306,050	306,050	306,050
	<u>8,967,817</u>	<u>9,504,469</u>	<u>9,404,562</u>
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES) FROM OPERATIONS			
	<u>47,621</u>	<u>(391,060)</u>	<u>(292,224)</u>
Amortization of deferred capital contributions - buildings	350,000	351,447	351,447
Amortization of buildings	(450,000)	(451,408)	(443,112)
	<u>(100,000)</u>	<u>(99,961)</u>	<u>(91,665)</u>
EXCESS OF EXPENSES OVER REVENUES BEFORE OTHER PROGRAMS AND OTHER VOTES			
	<u>(52,379)</u>	<u>(491,021)</u>	<u>(383,889)</u>
OTHER PROGRAMS			
South Centennial Manor - Deficit, schedule 4	-	(2,388)	(6,175)
Family Health Team - Surplus (Deficit), schedule 5	-	(8,597)	14,355
	<u>-</u>	<u>(10,985)</u>	<u>8,180</u>
EXCESS OF EXPENSES OVER REVENUES BEFORE OTHER VOTES			
	<u>(52,379)</u>	<u>(502,006)</u>	<u>(375,709)</u>
OTHER VOTES- MUNICIPAL LEVY			
Revenue	3,150	3,150	3,150
Expense	(3,150)	(3,150)	(3,150)
	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF EXPENSES OVER REVENUES	\$ (52,379)	\$ (502,006)	\$ (375,709)

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

ANSON GENERAL HOSPITAL**STATEMENT OF REMEASUREMENT GAINS AND LOSSES****YEAR ENDED MARCH 31, 2014**

	2014	2013
ACCUMULATED REMEASUREMENT LOSSES, BEGINNING OF YEAR	\$ (14,063)	\$ (53,843)
UNREALIZED GAINS ON INVESTMENTS	177,063	39,780
ACCUMULATED REMEASUREMENT GAINS (LOSSES), END OF YEAR	\$ 163,000	\$ (14,063)

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

ANSON GENERAL HOSPITAL
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2014

	Invested in Capital Assets (note 12)	Unrestricted	Total 2014	Total 2013
BALANCE, BEGINNING OF YEAR	\$ 3,900,847	\$ 1,249,432	\$ 5,150,279	\$ 5,486,208
EXCESS OF EXPENSES OVER REVENUES	-	(502,006)	(502,006)	(375,709)
NET CHANGE IN INVESTED IN CAPITAL ASSETS (note 12)	243,241	(243,241)	-	-
UNREALIZED GAINS ON INVESTMENTS	-	177,063	177,063	39,780
BALANCE, END OF YEAR	\$ 4,144,088	\$ 681,248	\$ 4,825,336	\$ 5,150,279

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

ANSON GENERAL HOSPITAL
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2014

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash	\$ 500	\$ 500
Accounts receivable (note 4)	514,900	380,499
Inventories	79,204	102,078
Due from MICs Group of Health Services (note 5)	245,366	1,249,796
	839,970	1,732,873
INVESTMENTS (note 6)	2,142,514	1,939,985
CAPITAL ASSETS (note 7)	12,730,216	13,077,570
	<u>\$ 15,712,700</u>	<u>\$ 16,750,428</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 689,685	\$ 875,523
Deferred revenue	2,000	68,081
	691,685	943,604
MORTGAGE PAYABLE (note 8)	56,200	59,800
CAPITAL CONTRIBUTION REPAYABLE (note 9)	252,000	264,000
POST-EMPLOYMENT BENEFITS PAYABLE (note 10)	1,151,202	1,121,689
DEFERRED CAPITAL CONTRIBUTIONS (note 11)	8,736,277	9,211,056
	<u>10,887,364</u>	<u>11,600,149</u>
NET ASSETS		
INVESTED IN CAPITAL ASSETS (note 12)	4,144,088	3,900,847
UNRESTRICTED	681,248	1,249,432
	<u>4,825,336</u>	<u>5,150,279</u>
	<u>\$ 15,712,700</u>	<u>\$ 16,750,428</u>


CONTINGENCIES AND COMMITMENTS - note 15
 SUBSEQUENT EVENT - FAMILY HEALTH TEAM - note 16

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

On behalf of the board

 Director

 Director

 SUPERVISOR

ANSON GENERAL HOSPITAL**STATEMENT OF CASH FLOWS****YEAR ENDED MARCH 31, 2014**

	2014	2013
OPERATING ACTIVITIES		
EXCESS OF EXPENSES OVER REVENUES	\$ (502,006)	\$ (375,709)
Items not involving cash:		
Amortization of capital assets	907,797	865,572
Amortization of deferred capital contributions	(514,917)	(522,482)
Accrual for post-employment benefits	29,512	39,884
	(79,614)	7,265
Changes in:		
Accounts receivable	(134,400)	(27,753)
Inventories	22,874	(26,983)
Accounts payable and accrued liabilities	(185,836)	87,939
Deferred revenue	(66,081)	68,081
	(443,057)	108,549
INVESTING ACTIVITIES		
Purchase of investments	(25,467)	(19,921)
Advances from MICs Group of Health Services	1,004,430	52,662
	978,963	32,741
FINANCING ACTIVITIES		
Repayment of mortgage payable	(3,600)	(3,600)
Repayment of capital contribution repayable	(12,000)	(12,000)
	(15,600)	(15,600)
CAPITAL ACTIVITIES		
Purchase of capital assets	(560,444)	(215,028)
Capital contributions received	20,000	47,690
Deferred capital contributions transferred from deferred revenue	20,138	-
	(520,306)	(167,338)
CHANGE IN CASH POSITION	-	(41,648)
CASH POSITION, BEGINNING OF YEAR	500	42,148
CASH POSITION, END OF YEAR	\$ 500	\$ 500

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

ANSON GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

1. STATUS AND NATURE OF OPERATIONS

The Hospital, incorporated under the Ontario Business Corporation Act, without share capital, operates a Hospital under the Charitable Institutions Act, at 58 Anson Drive, Iroquois Falls, Ontario. The Hospital is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations including the 4200 series of standards as issued by the Public Sector Accounting Board and includes the following significant accounting policies:

BASIS OF PRESENTATION

The financial statements include the assets, liabilities and activities of the Hospital. 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.

REVENUE RECOGNITION

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.

Under the Health Insurance Act and the regulations thereto, the Hospital is funded primarily by the North East Local Health Integration Network (LHIN) in accordance with the terms and conditions in the Hospital Service Accountability Agreement.

Unrestricted contributions, including operating grants are recorded as revenue in the period to which they relate. Grants approved but not yet received at the end of the year are accrued.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Grants and donations received for the acquisition of specific capital assets are recorded as deferred capital contributions and recognized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Revenue from the provincial insurance plan, preferred accommodation, charges to residents at the manor, other provinces and uninsured patients, operational revenue and other services are recognized as revenue when received or receivable if the amount to be recorded can be reasonably estimated and the collection is reasonably assured.

Investment income is recognized as revenue when earned.

ANSON GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, short-term deposits with a maturity of less than three months and temporary bank overdrafts which forms an integral part of the Hospitals' cash management.

INVENTORIES

Inventories of all hospital supplies are valued at the lower of average cost and replacement value and include only those supplies located in central storage areas and not supplies that have been issued to departments for direct patient care.

CAPITAL ASSETS

The acquisition of capital assets are recorded at their historical cost less amortization. Contributed capital assets are recorded at fair value at the date of contribution. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying amount is reduced to reflect the decline in the asset's value. The writedown is recorded in the statement of operations.

Amortization is calculated on a straight line basis using rates as set out in the Ontario Health Care Reporting System Guidelines. The estimated useful lives of the assets are as follows:

Land improvements	20 years
Buildings	20-40 years
Equipment	5-20 years
Software	3-5 years

The cost of capital projects in progress is recorded as capital assets and no amortization is taken until the project is substantially completed and the asset is ready for productive use. The Hospital allocates salary and benefit costs when personnel work directly in managing or implementing the capital project.

CONTRIBUTED SERVICES AND MATERIALS

Volunteers contribute significant hours of their time each year to assist the Hospital in carrying out certain charitable activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in these financial statements. Contributed materials are also not recognized in these financial statements.

ANSON GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

FUNDING

Under the current funding policy, the Hospital is essentially funded by using a budget base approved by the North East Local Health Integration Network. The Hospital is allowed to retain any excess of revenue over expenses derived from its operations and, conversely, retains responsibility for any deficit it may occur.

RETIREMENT AND POST-EMPLOYMENT BENEFIT PLANS

The Hospital provides defined retirement and post-employment benefits for certain employee groups. These benefits include pension, extended health care, dental and life insurance. The Hospital has adopted the following policies with respect to accounting for these employee benefits:

Multi-employer defined benefit pension

Substantially all of the employees of the Hospital are eligible to be members of the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer, defined benefit, final average earnings, contributory pension plan. Defined contribution plan accounting is applied to HOOPP, whereby contributions are expensed when due, as the Hospital has insufficient information to apply defined benefit accounting.

Post-employment benefits

i) The costs of post-employment future benefits are actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages, health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis.

ii) Past service costs (if any) arising from plan amendments are immediately recognized.

iii) The discount rate used in the determination of the above-mentioned liability is the discount rate recommended by the Ministry of Health and Long-Term Care.

ANSON GENERAL HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2014**

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)**FINANCIAL INSTRUMENTS**

The Hospital records its financial instruments at either fair value or amortized cost. The Hospital's accounting policy for each category is as follows:

Fair Value

This category includes derivatives and equity instruments quoted in an active market. The Hospital has designated its cash and cash equivalents and its investments at fair value as they are managed and evaluated on a fair value basis.

They are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations.

Amortized cost

This category includes accounts receivable, due from MICs Group of Health Services, accounts payable and accrued liabilities, mortgage payable and capital contribution repayable. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.

ANSON GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include the allowance for doubtful accounts receivable, the useful life of capital assets, the actuarial estimation of post-employment benefits, accrued liabilities and contingencies. Actual results could differ from those estimates.

3. FINANCIAL INSTRUMENT CLASSIFICATION

The following table provides cost and fair value information of financial instruments by category as at March 31, 2014. The maximum exposure to credit risk and liquidity risk would be the carrying value as shown below:

	Fair Value	Amortized Cost	Total
Cash and cash equivalents	\$ 500	\$ -	\$ 500
Accounts receivable	-	514,900	514,900
Due from MICs Group of Health Services	-	245,366	245,366
Investments	2,142,514	-	2,142,514
Accounts payable and accrued liabilities	-	689,685	689,685
Mortgage payable	-	56,200	56,200
Capital contribution repayable	-	252,000	252,000

The following provides details of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;

Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash and cash equivalents and investments are considered Level 1 fair value. There were no transfers between levels for the year ended March 31, 2014.

ANSON GENERAL HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2014****4. ACCOUNTS RECEIVABLE**

	2014	2013
Ministry of Health and Long-Term Care	\$ 18,356	\$ -
Insurers and patients	196,126	136,818
MICs Healthcare Foundation (note 14)	44,531	44,531
Other	305,041	199,150
	<hr/> 564,054	<hr/> 380,499
Allowance for doubtful accounts	(49,154)	-
	<hr/> \$ 514,900	<hr/> \$ 380,499

During the year, \$ 9,650 (2013 - \$ 11,328) of accounts receivable was written off.

5. DUE FROM MICs GROUP OF HEALTH SERVICES

The Hospital exercises significant influence over the MICs Group of Health Services by virtue of it being a member of the Partnership and its ability to appoint some of the members of the Board of Directors. The Partnership was established to increase opportunities for collaboration between its member hospitals (Bingham Memorial Hospital, Anson General Hospital and Lady Minto Hospital) in the sharing of costs and provision of health services. The Partnership is a non-profit organization.

Included in the Hospital's expenses for the year is \$ 9,545,384 (2013 - \$ 10,065,219) paid or payable to the Partnership for the Hospital's share of various cost functions primarily administration and support services. The share of costs to participating hospitals are set by a methodology agreed to by the Board on a cost recovery basis. The deficiency of amounts paid or to be paid by MICs on behalf of the Hospital over amounts received by MICs on behalf of the Hospital is noted below:

	2014	2013
Due from MICs Group of Health Services	\$ 245,366	\$ 1,249,796

The balance due from MICs Group of Health Services is unsecured, non-interest bearing with no specific terms of repayment. These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

ANSON GENERAL HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2014****5. DUE FROM MICS GROUP OF HEALTH SERVICES, (CONT'D)**

Information systems network, software and hardware, as well as office equipment shared by the three participating hospitals are recorded as capital assets and the respective Hospital's share of the related costs are recorded when the capital assets are amortized. Any capital contributions, grants or donations received for the acquisition of capital assets are deferred and the respective Hospital's share of the related revenue is recorded when the contribution is amortized.

6. INVESTMENTS

	2014	2014	2013	2013
	Cost	Fair Market Value	Cost	Fair Market Value
Mutual funds and managed assets, carried at fair market value	\$ 957,915	\$ 1,122,742	\$ 952,640	\$ 938,577
Guaranteed Investment Certificates, earning interest at rates between 1.55% and 1.95%, maturing in February 2015 and March 2015, carried at fair market value	1,018,350	1,019,772	1,001,408	1,001,408
	<u>\$ 1,976,265</u>	<u>\$ 2,142,514</u>	<u>\$ 1,954,048</u>	<u>\$ 1,939,985</u>

ANSON GENERAL HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2014****7. CAPITAL ASSETS**

	Cost	Accumulated Amortization	2014 Net	2013 Net
Land	\$ 72,707	\$ -	\$ 72,707	\$ 32,707
Land improvements	74,959	13,512	61,447	65,195
Buildings	20,937,713	9,091,651	11,846,062	12,184,974
Equipment	5,215,483	4,485,622	729,861	793,391
Software	60,533	40,394	20,139	1,303
	<u>\$ 26,361,395</u>	<u>\$ 13,631,179</u>	<u>\$ 12,730,216</u>	<u>\$ 13,077,570</u>

As at March 31, 2014, there were \$ 142,248 (2013 - 142,106) of capital projects in progress. These assets were not amortized.

Included in capital assets are land, building and equipment that were acquired on the transfer of South Centennial Manor assets to the Hospital from the Board of Management for Cochrane District Home for the Aged. The assets consisted of a 69 bed home for the aged and related equipment and furnishing. Because the fair value of assets could not be determined at the time of transfer in April 1998, they were recorded at a nominal cost of \$ 1.

In 2001, the North Eastern Health Services Alliance, which is a group of 8 hospitals in Northeastern Ontario, agreed to jointly participate in the installation of a Picture Archiving Communication System (PACS). This system provides digital diagnostic imaging communication capability amongst all hospitals in the group. Timmins and District Hospital (TDH) was given the responsibility to administer the funds on behalf of this group. The Hospital's share of the cost and accumulated amortization of capital assets are included in Equipment with a net book value of \$ nil (2013 - \$ nil).

ANSON GENERAL HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2014****8. MORTGAGE PAYABLE**

	2014	2013
Mortgage payable, interest free, payable in monthly instalments of \$ 300, secured by a first mortgage on real property, due in August 2015.	\$ 56,200	\$ 59,800
The annual instalments to be paid over the next five fiscal years are as follows:		
2015	\$ 3,600	
2016	3,600	
2017	3,600	
2018	3,600	
2019	3,600	
Subsequent years	38,200	
	<u>\$ 56,200</u>	

9. CAPITAL CONTRIBUTION REPAYABLE

	2014	2013
Capital contribution repayable	\$ 252,000	\$ 264,000

In 2007, the Hospital entered into an agreement with the Ministry of Health and Long-Term Care for a contribution to the capital cost of the Family Health Team facility. The Ministry's contribution was in the amount of \$ 2,000,000 with the understanding that \$300,000 will be recovered by the Ministry at \$ 1,000 per month (\$ 12,000 per year) for 25 years starting in April 2010. The recovery is made through a reduction of the annual Family Health Team operating funding that would otherwise have been provided. The remaining balance of \$ 1,700,000 is included in deferred capital contributions and is being amortized over the useful life of the facility. The agreement requires that the Family Health Team occupy the facility rent free for a period of 25 years. The agreement also restricts the use of the funding for construction of another facility for a Family Health Team. Finally, the agreement provides for the requirement for repayment of the contribution to the Ministry on a declining balance basis as set out in the agreement, in the event of sale of the building or termination of the agreement by the Hospital unless otherwise agreed to by the Ministry in writing. The amount repayable bears no interest and is unsecured.

ANSON GENERAL HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2014****9. CAPITAL CONTRIBUTION REPAYABLE, (CONT'D)**

The annual instalments to be paid over the next five fiscal years are as follows:

2015	\$	12,000
2016		12,000
2017		12,000
2018		12,000
2019		12,000
Subsequent years		<u>192,000</u>
	\$	<u>252,000</u>

10. POST-EMPLOYMENT BENEFITS PAYABLE

The Hospital extends post employment extended health coverage, dental benefits and life insurance to certain employee groups subsequent to their retirement. The Hospital recognizes these benefits as they are earned during the employees' tenure of service. The related liability was determined by an actuarial valuation dated May 13, 2014 for the year ended March 31, 2014.

The following tables outlines the components of the Hospitals' post-employment benefits payable and the related expenses. These are allocated to the respective hospitals according to where the services are provided by the respective employees.

Accrued benefit liability:

	Hospital	Share of MICS	2014 Total	2013 Total
Accrued benefit obligation	\$ 868,078	\$ 97,638	\$ 965,716	\$ 965,159
Unamortized actuarial loss (gain)	<u>193,031</u>	<u>(7,545)</u>	<u>185,486</u>	<u>156,530</u>
Accrued benefit liability	<u>\$ 1,061,109</u>	<u>\$ 90,093</u>	<u>\$ 1,151,202</u>	<u>\$ 1,121,689</u>

ANSON GENERAL HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2014****10. POST-EMPLOYMENT BENEFITS PAYABLE, (CONT'D)**Benefit expense:

	Hospital	Share of MICS	2014 Total	2013 Total
Accrued benefit obligation, beginning of year	\$ 867,031	\$ 98,128	\$ 965,159	\$ 927,769
Unamortized actuarial loss (gain)	171,061	(14,531)	156,530	154,036
Accrued benefit liability, beginning of year	1,038,092	83,597	1,121,689	1,081,805
Current service cost	50,468	7,266	57,734	59,188
Interest	34,426	3,892	38,318	43,852
Amortization	(20,125)	1,709	(18,416)	(18,122)
Total expense	64,769	12,867	77,636	84,918
Benefit payment	(41,752)	(6,371)	(48,123)	(45,034)
Accrued benefit liability, end of year	\$ 1,061,109	\$ 90,093	\$ 1,151,202	\$ 1,121,689

The above amounts exclude contributions to the Hospitals of Ontario Pension Plan, a multi-employer plan, described in note 13.

The major actuarial assumptions employed for the valuations are as follows:

Discount rate

The present value as at March 31, 2014 of the future benefits was determined using a discount rate of 4.36% (2013 - 3.94 %) which is the discount rate recommended by the Ministry of Health and Long-Term Care.

Extended Health Coverage

Extended Health Coverage is assumed to increase at a rate of 8% per annum (2013 - 8 %) and decrease proportionately thereafter by 0.5% per year to an ultimate rate of 4.5% (2013 - 4.5 %).

Dental costs

Dental costs is assumed to increase at 4% per annum (2013 - 4 %).

ANSON GENERAL HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2014****11. DEFERRED CAPITAL CONTRIBUTIONS**

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations. The changes in the deferred capital contributions balances are as follows:

	2014	2013
CAPITAL CONTRIBUTIONS RECEIVED		
Balance, beginning of year	\$ 18,611,019	\$ 18,563,329
Funding received during the year	20,000	47,690
Funding transferred from deferred revenue during the year	20,138	-
Balance, end of year	<u>18,651,157</u>	<u>18,611,019</u>
ACCUMULATED AMORTIZATION		
Balance, beginning of year	(9,399,963)	(8,877,481)
Amortization for the year	(514,917)	(522,482)
Balance, end of year	<u>(9,914,880)</u>	<u>(9,399,963)</u>
NET DEFERRED CAPITAL CONTRIBUTIONS	<u><u>\$ 8,736,277</u></u>	<u><u>\$ 9,211,056</u></u>

Included in deferred capital contributions are donations and grants reserved for the purchase of capital assets that are unexpended. These contributions are comprised of:

	2014	2013
Donations	\$ 14,849	\$ 16,653
Health Infrastructure Renewal Fund	423,500	341,480
North East Local Health Integration Network	20,000	-
	<u><u>\$ 458,349</u></u>	<u><u>\$ 358,133</u></u>

ANSON GENERAL HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2014****12. INVESTED IN CAPITAL ASSETS**

	2014	2013
Capital assets	\$ 12,730,216	\$ 13,077,570
Deferred capital contributions	(8,736,277)	(9,211,056)
Unexpended deferred capital contributions	458,349	358,133
	<u>4,452,288</u>	<u>4,224,647</u>
Mortgage payable	(56,200)	(59,800)
Capital contribution repayable	(252,000)	(264,000)
	<u>(308,200)</u>	<u>(323,800)</u>
	<u>\$ 4,144,088</u>	<u>\$ 3,900,847</u>

The interfund transfer and the change in invested in capital assets is calculated as follows:

	2014	2013
Purchase of capital assets	\$ 560,444	\$ 215,028
Amortization of capital assets	(907,797)	(865,572)
Repayment of mortgage payable	3,600	3,600
Repayment of capital contribution repayable	12,000	12,000
	<u>(331,753)</u>	<u>(634,944)</u>
Capital contributions received during the year	(20,000)	(47,690)
Capital contributions transferred from deferred revenue	(20,138)	-
Net change in unexpended deferred capital contributions	100,215	3,776
Amortization of deferred capital contributions	514,917	522,482
	<u>574,994</u>	<u>478,568</u>
	<u>\$ 243,241</u>	<u>\$ (156,376)</u>

ANSON GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

13. RETIREMENT BENEFITS

Substantially all of the Hospitals' employees 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 \$ 540,989 (2013 - \$ 536,869) and are included in the statement of operations. As this is a multi-employer pension plan, these contributions are the Hospitals' pension benefit expenses. No pension liability for this type of plan is included in the Hospitals' financial statements as no contributing employer or employee has any liability, directly or indirectly, to provide the benefits established by this plan beyond the obligation to make contributions pursuant to this Pension Plan policies.

14. RELATED PARTY TRANSACTIONS

MICs Healthcare Foundation is a corporation without share capital jointly controlled by the three participating hospitals of the MICs Group of Health Services partnership. It has its own Board of Directors. The Foundation was incorporated primarily for the purpose of raising funds for the use by the three hospitals.

During the year, the Foundation did not grant any funds to the hospitals (2013 - \$ 44,531). As of March 31, 2014, the Foundation owed the Hospital an amount of \$ 44,531 (2013 - \$ 44,531). These consisted of donations from external parties that were deposited in the Foundation's bank account.

These transactions have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

The financial results of the Foundation is not consolidated in the financial statements of the Hospital.

15. CONTINGENCIES AND COMMITMENTS

a) The nature of the Hospitals' activities are such that there is usually litigation pending or in progress at any one time. With respect to claims as at March 31, 2014, it is management's position that the Hospital has valid defences and appropriate insurance coverage in place. In the unlikely event any claims are successful, such claims are not expected to have a material effect on the Hospitals' financial position

b) The MICs Group of Health Services is part of a collective group of employers participating in the process of formulating a central pay equity plan for a particular employee group. The possible ultimate liability arising to the Hospital on completion of the plan is currently not determinable.

ANSON GENERAL HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2014**

16. SUBSEQUENT EVENT - FAMILY HEALTH TEAM

The Hospital is currently in the process of transferring the Family Health Team funding agreement and operations to a new not-for-profit corporation - Iroquois Falls Family Health Team. This transfer would be effective April 1, 2014. The new corporation will be governed by an independent, at arm's length Board of Directors comprised of Physicians and Community members. The Hospital will continue to fulfill its obligations related to the long-term lease of premises to the Family Health Team as outlined in the original agreement. Transfer agreements and leases have been prepared and will be approved by the Ministry of Health and Long-Term Care. The complete terms of the agreement are not yet finalized. The transfer is expected to occur before September 30, 2014.

17. COMPARATIVE FIGURES

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

18. FINANCIAL INSTRUMENTS RISK MANAGEMENT**CREDIT RISK**

The Hospital is exposed to credit risk in the event of non-payment by their debtors for their accounts receivable. Credit risk arises from the possibility that these individuals may experience financial difficulty and be unable to fulfill their obligations. The hospital is exposed to this risk relating to its cash, accounts receivable and investments.

The Hospital holds its cash account with federally regulated chartered banks who are insured by the Deposit Insurance Corporation of Ontario. In the event of default, the Hospital's cash accounts are insured up to \$100,000.

Accounts receivable are generally due from patients, insurers and other. The Hospital measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is recorded based on the Hospitals' historical experience regarding collections. The amounts outstanding as at March 31, 2014 are as follows:

ANSON GENERAL HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2014****18. FINANCIAL INSTRUMENTS RISK MANAGEMENT, (CONT'D)**

		Total	Current	31-60 days	61-90 days	90+ days
MOHLTC	\$	18,356	\$ 18,356	\$ -	\$ -	\$ -
Insurers and patients		196,126	45,640	21,645	13,484	115,357
MICs						
Healthcare Foundation		44,531	-	-	-	44,531
Other		305,041	297,813	6,443	-	785
		564,054	361,809	28,088	13,484	160,673
Allowance for doubtful accounts		(49,154)	-	-	-	(49,154)
	\$	514,900	\$ 361,809	\$ 28,088	\$ 13,484	\$ 111,519

The Hospital performs ongoing evaluations of their accounts receivable and maintains provisions for potential credit losses to minimize credit risk.

The Hospital's investment policy puts limits on the bond portfolio including portfolio composition units, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. Investments are monitored by management and measured for performance on a regular basis.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

LIQUIDITY RISK

Liquidity risk results from the Hospital's potential inability to meet its obligations associated with the financial liabilities as they become due. The Hospital mitigates this risk by monitoring its operations and cash flows to ensure that current and future obligations will be met. The Hospital believes that its current sources of liquidity are sufficient to cover its currently known short and long-term cash obligations.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

ANSON GENERAL HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2014**

18. FINANCIAL INSTRUMENTS RISK MANAGEMENT, (CONT'D)**MARKET RISK**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk. Market risk for the Hospital lies mostly in the potential loss related to the volatility of interest rates. The interest rate risk is related to the adverse fluctuation of the interest rate on investment revenue, on fair value of investments and on economic value of net assets. Conservative management is exercised to minimize the impact of any eventual fluctuation of interest rates.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

ANSON GENERAL HOSPITAL
SCHEDULES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

MINISTRY OF HEALTH AND LONG-TERM CARE

Schedule 1

	Budget (Unaudited)	2014 Actual	2013 Actual
North East LHIN - Base allocation	\$ 7,513,150	\$ 7,634,579	\$ 7,532,652
Ministry of Health - Physician specific	80,000	44,447	77,404
Ministry of Health - One-time funding	62,512	126,394	111,978
Ministry of Health - Palliative Care	-	100,000	-
Transfer Palliative Care to South Centennial Manor	-	(100,000)	-
	\$ 7,655,662	\$ 7,805,420	\$ 7,722,034

SALARIES AND WAGES

Schedule 2

	Budget (Unaudited)	2014 Actual	2013 Actual
Nursing services	\$ 2,117,851	\$ 2,294,873	\$ 2,334,078
Diagnostic and therapeutic	783,208	804,585	821,544
Education	28,212	27,862	32,710
Administration and other	1,355,566	1,366,839	1,395,786
	\$ 4,284,837	\$ 4,494,159	\$ 4,584,118

SUPPLIES AND OTHER EXPENSES

Schedule 3

	Budget (Unaudited)	2014 Actual	2013 Actual
Nursing services	\$ 48,600	\$ 56,826	\$ 109,229
Diagnostic and therapeutic	777,420	866,852	730,317
Education	41,350	28,503	26,316
Administration and other	1,368,056	1,565,477	1,353,456
	\$ 2,235,426	\$ 2,517,658	\$ 2,219,318

ANSON GENERAL HOSPITAL
SCHEDULES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

SOUTH CENTENNIAL MANOR - STATEMENT OF OPERATIONS

Schedule 4

	2014	2013
REVENUES		
Provincial subsidies	\$ 3,624,667	\$ 3,570,538
Transfer of Palliative Care from Anson General Hospital	100,000	-
Charges to residents	1,032,871	1,022,357
Amortization of deferred capital contributions - equipment	123,899	123,899
Other revenue	62,062	65,710
	<u>4,943,499</u>	<u>4,782,504</u>
EXPENSES		
Salaries and benefits	3,814,147	3,817,172
Supplies and other expenses	866,956	737,913
Amortization of capital assets	264,784	233,594
	<u>4,945,887</u>	<u>4,788,679</u>
DEFICIT FOR THE YEAR	\$ (2,388)	\$ (6,175)

FAMILY HEALTH TEAM - STATEMENT OF OPERATIONS

Schedule 5

	2014	2013
REVENUES		
Provincial subsidies	\$ 691,753	\$ 731,493
Other revenue	1,327	760
	<u>693,080</u>	<u>732,253</u>
EXPENSES		
Salaries and benefits	545,504	572,690
Supplies and other expenses	150,823	137,148
Amortization of capital assets	5,350	8,060
	<u>701,677</u>	<u>717,898</u>
SURPLUS (DEFICIT) FOR THE YEAR	\$ (8,597)	\$ 14,355