

BINGHAM MEMORIAL HOSPITAL
FINANCIAL STATEMENT
TO MARCH 31, 2011

BINGHAM MEMORIAL HOSPITAL
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for the year ended March 31, 2011

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J. Clive Dorland, BComm. C.A.

INDEPENDENT AUDITOR'S REPORT

TO: The Members
Bingham Memorial Hospital
Matheson, Ontario

I have audited the accompanying financial statements of Bingham Memorial Hospital which comprise the statement of financial position as at March 31, 2011 and the statements of operations, changes in net assets, and cash flow, 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 the 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 judgement, including the assessment of the risks of material misstatement of the financial statement, 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Bingham Memorial Hospital as at March 31, 2011 and the results of its operations and the change in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

I have not audited budget figures.



Cochrane, Ontario
June 16, 2011

CHARTERED ACCOUNTANT
Licensed Public Accountant

**BINGHAM MEMORIAL HOSPITAL
MATHESON, ONTARIO**

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STATEMENT OF FINANCIAL POSITION

MARCH 31, 2011

	2011	2010 (Restated)
ASSETS		
Current:		
Cash	\$ 129,936	114,396
Accounts receivable (note 2)	505,915	149,057
Inventories	123,827	140,175
	<u>759,678</u>	<u>403,628</u>
Non Current:		
Investments (note 3)	492,930	422,613
Capital assets (note 4)	4,151,454	4,336,798
	<u>4,644,384</u>	<u>4,759,411</u>
	<u>\$ 5,404,062</u>	<u>5,163,039</u>
LIABILITIES and NET ASSETS		
Liabilities		
Current:		
Accounts payable and accrued liabilities (note 5)	\$ 355,847	347,409
Deferred contributions - operations	95,760	72,121
	<u>451,607</u>	<u>419,530</u>
Long Term:		
Accrued benefit liability-employee future benefits (note 6)	571,462	546,060
Deferred contributions		
capital assets (note 7)	4,072,994	4,123,135
	<u>4,644,456</u>	<u>4,669,195</u>
Net Assets (Deficit)		
Investment in capital assets (note 8)	548,881	535,025
Unrestricted	(240,882)	(460,711)
	<u>307,999</u>	<u>74,314</u>
	<u>\$ 5,404,062</u>	<u>5,163,039</u>

See accompanying notes to financial statements

On behalf of the Board:

 Director

 Director

**BINGHAM MEMORIAL HOSPITAL
MATHESON, ONTARIO**

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STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2011

	Budget (Unaudited)	2011 Actual	2010 Actual (Restated)
REVENUES			
Ministry of Health and Long Term Care			
-Base allocation	\$ 5,575,000	5,579,858	5,490,600
-Hospital on-call coverage	85,000	83,942	83,800
-One-time funding	-	23,000	33,333
Subtotal	5,660,000	5,686,800	5,607,733
Recoveries & miscellaneous Revenue	87,600	92,947	82,414
Investment income	6,000	7,288	6,226
Amortization of Grants/Donation Equipment	120,500	91,342	111,393
Physician Specific- Ministry of Health & LTC	760,000	795,501	744,544
OHIP Revenue	105,800	97,396	87,500
Other Patient Revenue	489,687	489,614	488,514
	7,229,587	7,260,888	7,128,324
EXPENSES			
Salaries & Wages (Schedule A)	3,268,680	3,249,649	3,428,003
Benefit Contributions	999,307	958,542	947,704
Employee Future Benefit Costs	25,000	25,402	22,700
Medical Staff Remuneration	924,600	997,483	922,163
Supplies & Other Expenses (Schedule A)	1,579,444	1,441,021	1,404,694
Medical/Surgical Supplies	90,665	95,403	89,175
Drugs & Medical Gases	119,800	130,268	113,193
Amortization of equipment	135,000	141,889	165,273
Rental/Lease of Equipment	3,750	1,894	3,650
	7,146,246	7,041,551	7,096,555
SURPLUS FROM HOSPITAL OPERATIONS	83,341	219,337	31,769
Amortization of Deferred Contributions Related to Buildings (note 7)	-	206,427	213,660
Amortization of Buildings	-	(226,413)	(213,242)
SURPLUS (DEFICIT) FROM ITEMS ABOVE	-	(19,986)	418
Other Votes - Revenue	-	3,000	3,000
Other Votes - Expenses	-	(3,000)	(3,000)
SURPLUS FROM OTHER VOTES	-	-	-
SURPLUS FOR YEAR	\$ 83,341	199,351	32,187

See accompanying notes to financial statements

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2011

	2011				2010
	Invested in capital assets	Unrestricted		Total	Total (Restated)
		Realized	Unrealized		
Balance beginning of year previously reported	\$ 580,845	(456,414)	(4,297)	120,134	(40,286)
Prior year accounting correction (note 9)	(45,820)			(45,820)	
Balance beginning of year restated	535,025	(456,414)	(4,297)	74,314	(40,286)
Excess (deficiency) revenues over expenses	(70,533)	269,884	-	199,351	32,187
Change in value of investments (note 1)	-	-	34,334	34,334	82,413
Investment in capital assets	84,389	(84,389)	-	-	-
Balance, end of year	\$ 548,881	(270,919)	30,037	307,999	74,314

Change in value of investments reflects the recognition of unrealized gains arising from increase in market value of available-for-sale investments.

See accompanying notes to financial statements

STATEMENT OF CASH FLOW

YEAR ENDED MARCH 31, 2011

	2011	2010 (Restated)
Cash Provided by (used for):		
Operating Activities:		
Deficiency of revenues over expenses	\$ 199,351	32,187
Items not involving cash:		
Amortization of capital assets	368,303	378,515
Amortization of deferred contributions related to capital	(297,769)	(325,053)
Loss on disposal of fixed asset	-	1,830
Employee future benefit cost (note 6)	25,402	31,020
Change in non-cash operating working capital		
Decrease(increase) in accounts receivable	(145,108)	8,756
Decrease (increase) in inventories	16,346	(1,005)
Increase (decrease) in accounts payable and accrued liabilities	8,438	(349,896)
Increase in deferred contributions- operations	23,639	10,291
Cash (used for) operations	<u>198,602</u>	<u>(213,355)</u>
Financing Activities:		
Deferred contributions - capital received	<u>35,878</u>	<u>226,243</u>
Financing and Investing Activities:		
Purchase of fixed assets	(182,957)	(186,822)
(Increase) in investments	(35,983)	(19,744)
	<u>(218,940)</u>	<u>(206,566)</u>
Net increase in cash	15,540	(193,678)
Cash, beginning of year	<u>114,396</u>	<u>308,074</u>
Cash, end of year	\$ 129,936	114,396

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2011

Bingham Memorial Hospital (the "Hospital") is a corporation without share capital incorporated under the Law of Ontario. The facility provides health care services to Matheson and surrounding area. The Hospital is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, providing certain requirements of that 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.

Revenue Recognition

The Hospital follows the deferral method of accounting for contributions which include donations and government grants.

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. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2011.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the 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. Gains/losses on investments held available-for-sale are recognized as income when actually realized on disposition of the investment. Unrealized gains/losses on fair value of investments available-for-sale are reflected directly on the Statement of Changes in Net Assets.

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

Investments

Investments classified as "available-for-sale" are recorded at fair market value. The excess (deficiency) of fair market value over cost of investments held is reflected in the Statement of Changes in Net Assets as "Unrealized" net assets. Investments are classified as current non-current in accordance with their intended holding period.

Inventory

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

**BINGHAM MEMORIAL HOSPITAL
MATHESON, ONTARIO**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 are charged to expense. 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, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight line basis using the following annual rates:

Buildings and Residential Properties	2.5% - 5%
Major Equipment	5% - 20%

Compensated absences

Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the Hospital's benefit plans.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty in determining the fair market value, contributed services are not recognized in the financial statements.

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 statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

2. ACCOUNTS RECEIVABLE

	2011	2010
Ministry of Health	\$ 263,757	11,171
Other	242,158	137,886
	<u>\$ 505,915</u>	<u>149,057</u>

3. INVESTMENTS

	2011	Cost	2010	Cost
	Market		Market	
Long Term Investments-available-for-sale:				
Mutual Funds	\$ 465,541	435,653	\$ 422,613	426,910
GICs 1.65-1.7% mature 2011	27,389	27,240	-	-
	<u>\$ 492,930</u>	<u>462,893</u>	<u>\$ 422,613</u>	<u>426,910</u>

Amount of investments restricted for use for physician recruitment and retention (at market) \$73,367 (2010-\$54,752)

The Hospital is exposed to market risk on its Mutual Funds investments

**BINGHAM MEMORIAL HOSPITAL
MATHESON, ONTARIO**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2011**

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	2011 Net	2010 Net
Land	\$ 159,212	-	159,212	159,212
Land Improvements	33,616	29,927	3,689	6,447
Buildings & Service Equipment	7,212,726	3,692,579	3,520,147	3,658,897
Equipment	2,051,870	1,592,897	458,973	512,242
Computer Software	80,266	70,833	9,433	-
Joint Venture - Equipment (note 10)	646,856	646,856	-	-
	<u>\$ 10,184,546</u>	<u>6,033,092</u>	<u>4,151,454</u>	<u>4,336,798</u>

5. RELATED PARTY TRANSACTIONS

The Hospital exercises significant influence over the MICs Group of Health Services by virtue of its being a member of the Partnership and its ability to appoint some of the Board of Directors. The Partnership was established to increase opportunities for collaboration between its member hospitals in the sharing of costs and provision of health services. It is a non-profit organization.

Included in the Hospital expenses for the year is \$4,549,802 (2010 - \$4,704,717) paid (or payable) to the partnership for the Hospital's share of various cost functions, primarily general administration and support services. Share of costs to participating hospitals are set by a methodology agreed to by the Board on a cost recovery basis.

The excess of amounts paid or to be paid by MICs on behalf of the Hospital over amounts received by MICs on behalf of the Hospital at March 31, 2011 (\$123,038) is included in accounts payable and accrued liabilities (2010 - \$263,565). Amounts due to/from MICs bear no interest.

In 2007/2008 the Partnership began a major Information System implementation to allow participation in the regional NEON information systems network on behalf of the three MICs partners. The total capital cost of the software licences, contribution to hardware and implementation is approximately \$1,317,000. Government assistance to the participating MICs hospitals in total amount of \$685,000 towards the cost is anticipated, leaving the balance to be borne by the hospitals. The capital cost of the system to March 31, 2011 and the related accrued Government assistance is reflected on the financial statement of the partnership. The respective hospitals' share of costs after applying government assistance will be recognized in the future years as the capital cost of the system and the related government assistance are amortized. The anticipated ultimate cost to be borne by Bingham Memorial Hospital after applying government assistance is approximately \$113,000.

6. EMPLOYEE FUTURE BENEFITS

The Bingham Memorial Hospital and the MICs Group of Health Services provide extended health care, dental and life insurance benefits to substantially all employees.

The accrued benefit obligation and accrued benefit liability related to employees of MICs and participating hospitals is determined by actuarial calculations in aggregate for all employees. The latest actuarial valuation was dated June, 2010 for the fiscal year ending March 31, 2010. Current year amounts are determined by extrapolating figures from the last valuation along with particular estimates. Expenses are allocated to respective facilities according to where services are provided by the respective employee.

**BINGHAM MEMORIAL HOSPITAL
MATHESON, ONTARIO**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2011**

6. EMPLOYEE FUTURE BENEFITS (continued)

Experience gains and losses on Accrued Benefit Obligation are amortized as follows:

Net gains or losses are combined with the unamortized balance of previous gains or losses, and the portion of the total that exceeds 10% of the accrued benefit obligation is amortized over the remaining service period of active employees.

The Bingham Memorial Hospital's accrued benefit liability related to post-retirement benefit plans for its employees and its proportionate share of accrued benefit liability for MICs on the balance sheet at March 31, 2011 is determined as follows:

	<u>Hospital</u>	<u>Share of MICs</u>	<u>2011 Total</u>	<u>2010 Total</u>
Balance beginning of year	\$ 469,100	76,960	546,060	515,040
Additional benefit expense (see below)	26,400	8,736	35,136	61,820
Contributions by employer	(9,734)	-	(9,734)	(30,800)
Net benefit expense	<u>16,666</u>	<u>8,736</u>	<u>25,402</u>	<u>31,020</u>
Balance of accrued benefit liability at end of year	\$ <u>485,766</u>	<u>85,696</u>	<u>571,462</u>	<u>546,060</u>

Additional benefit expense is comprised as follows:

Cost of benefits	\$ 13,700	4,836	18,536	26,114
Interest on Accrued Benefit Obligation	20,000	3,900	23,900	30,306
Amortization of past service costs	400	-	400	400
Amortization of net actuarial gain	<u>(7,700)</u>	<u>-</u>	<u>(7,700)</u>	<u>5,000</u>
Benefit Expense	\$ <u>26,400</u>	<u>8,736</u>	<u>35,136</u>	<u>61,820</u>

The measurement date used to determine the accrued benefit obligation is March 31, 2011.

The accrued benefit liability at March 31, 2011 is reconciled with the Accrued Benefit Obligation at March 31, 2011 as follows:

	<u>Hospital</u>	<u>Share of MICs</u>	<u>2011 Total</u>	<u>2010 Total</u>
Accrued benefit obligation at March 31, 2011 as determined by actuarial valuation	\$ 375,766	78,728	454,494	421,792
Unamortized amounts at March 31, 2011				
Actuarial experience (loss)	113,200	6,968	120,168	127,868
Past Service Costs	<u>(3,200)</u>	<u>-</u>	<u>(3,200)</u>	<u>(3,600)</u>
Accrued employee benefit liability at March 31, 2011	\$ <u>485,766</u>	<u>85,696</u>	<u>571,462</u>	<u>546,060</u>

**BINGHAM MEMORIAL HOSPITAL
MATHESON, ONTARIO**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2011**

6. EMPLOYEE FUTURE BENEFITS (continued)

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

	2011	2010
Discount Rate	5.50% per annum	4.0 % per annum
Dental benefits cost escalation	2.5% per annum	4.0% per annum
Medical benefits cost escalation - extended health care	7.4% decreasing linearly each year to a rate of 4.5% / annum after 5 years	8.00% decreasing linearly each year to a rate of 4.5% / annum after 6 years

7. DEFERRED CONTRIBUTIONS - CAPITAL

Deferred capital contributions related to capital assets represent the unamortized amount and unspent 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.

	2011	2010
Balance, beginning of year	\$ 4,123,135	4,221,945
Less amounts amortized to revenue	(297,769)	(325,053)
Add additions to deferred contributions	247,628	226,243
Balance, end of year	\$ 4,072,994	4,123,135

8. INVESTMENT IN CAPITAL ASSETS

	2011	2010
Capital assets	\$ 4,151,454	4,336,798
Less amounts financed by:		
Deferred contributions- balance end of year	\$ (4,072,994)	(4,123,135)
- less unexpended funding	470,421	321,362
	(3,602,573)	(3,801,773)
	\$ 548,881	535,025

9. NET ASSETS- PRIOR YEAR ACCOUNTING CORRECTION

Opening balance of Net Assets has been restated to reflect correction in prior year calculation of Amortization of equipment expense. Comparative figures have been restated to increase expense, decrease net assets, and decrease investment in capital assets by \$45,820 accordingly.

**BINGHAM MEMORIAL HOSPITAL
MATHESON, ONTARIO**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2011**

10. INVESTMENT IN JOINT VENTURE

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/Hôpital de Timmins et du District was given the responsibility to administer the funds on behalf of this group.

During the 2008\09 fiscal year the remaining net liquid assets were distributed back to the original partners. The capital assets of the joint venture were fully amortized as of March 31, 2008 as were the related deferred donations and grants.

The Hospital's 6.27% share of the cost and accumulated amortization of Capital Assets at March 31, 2011 are included in the Statement of Financial Position.

11. FINANCIAL INSTRUMENTS

Fair value- Unless otherwise noted, the carrying values of financial instruments approximate their fair value.

Credit Risk - The Hospital does not have significant exposure to credit risk arising from accounts receivable from any individual or party. A significant portion of the Hospital's accounts receivable are from Provincial or Federal governments

12. CONTINGENT LIABILITY

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 Bingham Memorial Hospital on completion of the plan is not determinable.

13. PENSION PLAN

Substantially all of the employees of the Hospital are eligible to be members of the Hospitals 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 \$244,560 (2010 - \$259,547). These amounts are included in employee benefits expense in the Statement of Operations.

**BINGHAM MEMORIAL HOSPITAL
MATHESON, ONTARIO**

**SCHEDULE OF SALARIES & WAGES AND SUPPLIES & OTHER EXPENSES
YEAR ENDED MARCH 31, 2011**

Department	Salaries and Wages	Supplies and Other	TOTAL 2011	TOTAL 2010
Nursing Services	\$ 1,927,094	25,399	1,952,493	2,006,408
Diagnostic and Therapeutic	431,788	406,100	837,888	958,959
Education	13,273	24,827	38,100	73,063
Administration and Other	877,494	984,695	1,862,190	1,794,266
	\$ 3,249,649	1,441,021	4,690,670	4,832,696