

BINGHAM MEMORIAL HOSPITAL

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

MARCH 31, 2014



Gagné Gagnon Bisson Hébert
Chartered Accountants / Comptables Agréés

Eric G. Gagnon Professional Corporation
Noël G. Cantin Professional Corporation
Julie A. Lemieux CPA, CA
Martine Lemaire-Mignault CPA, CA
Daniel D. Gagné CPA, CA
Chad Lauzon CPA, CA

2 Ash Street
Kapuskasing, Ontario
P5N 3H4

T. 705.337.6411
F. 705.335.6563

www.collinsbarrow.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Bingham Memorial Hospital

Report on the Financial Statements

We have audited the accompanying financial statements of Bingham Memorial Hospital, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, remeasurement gains, 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 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 Bingham Memorial Hospital as at March 31, 2014, and the results of its operations, its remeasurement gains, its changes in net assets and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards for Not-for-Profit Organizations.

Other Matter

The statements of financial position as at March 31, 2013 and the statements of operations, remeasurement gains, 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 6, 2013.

Collins Barrow Gagné Gagnon Bisson Hébert

Chartered Accountants
Licenced Public Accountants
June 17, 2014

BINGHAM MEMORIAL HOSPITAL
FINANCIAL STATEMENTS

MARCH 31, 2014

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BINGHAM MEMORIAL 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	\$ 6,509,412	\$ 6,804,900	\$ 6,799,296
Ontario Health Insurance	102,250	53,262	50,052
Other patient care revenue	480,952	459,385	457,012
Recoveries and other revenue	196,213	167,201	215,012
Investment income	25,461	7,660	6,509
Amortization of deferred capital contributions - equipment	90,000	78,961	52,602
	<u>7,404,288</u>	<u>7,571,369</u>	<u>7,580,483</u>
EXPENSES			
Salaries and wages, schedule 2	3,518,200	3,331,508	3,301,213
Employee benefits	941,486	1,001,344	979,093
Medical staff remuneration	950,000	949,664	1,179,200
Supplies and other expenses, schedule 3	1,639,708	1,584,553	1,433,991
Medical and surgical supplies	85,000	81,144	68,924
Drugs and medical gases	118,500	96,448	63,099
Amortization of equipment	147,200	115,134	122,262
	<u>7,400,094</u>	<u>7,159,795</u>	<u>7,147,782</u>
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	<u>4,194</u>	<u>411,574</u>	<u>432,701</u>
Amortization of deferred capital contributions - buildings	205,000	220,958	202,271
Amortization of buildings	<u>(225,000)</u>	<u>(252,510)</u>	<u>(230,310)</u>
	<u>(20,000)</u>	<u>(31,552)</u>	<u>(28,039)</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE OTHER VOTES	<u>(15,806)</u>	<u>380,022</u>	<u>404,662</u>
OTHER VOTES - MUNICIPAL LEVY			
Revenue	3,000	3,000	3,000
Expense	<u>(3,000)</u>	<u>(3,000)</u>	<u>(3,000)</u>
	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	<u>\$ (15,806)</u>	<u>\$ 380,022</u>	<u>\$ 404,662</u>

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

BINGHAM MEMORIAL HOSPITAL
STATEMENT OF REMEASUREMENT GAINS
YEAR ENDED MARCH 31, 2014

	2014	2013
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF YEAR	\$ 39,630	\$ 17,491
UNREALIZED GAINS ON INVESTMENTS	61,896	22,139
ACCUMULATED REMEASUREMENT GAINS, END OF YEAR	\$ 101,526	\$ 39,630

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

BINGHAM MEMORIAL HOSPITAL**STATEMENT OF CHANGES IN NET ASSETS****YEAR ENDED MARCH 31, 2014**

	Invested in Capital Assets (note 11)		Unrestricted	Total 2014	Total 2013
BALANCE, BEGINNING OF YEAR	\$	640,023	\$ 458,956	\$ 1,098,979	\$ 672,178
EXCESS OF REVENUES OVER EXPENSES		-	380,022	380,022	404,662
NET CHANGE IN INVESTED IN CAPITAL ASSETS (note 11)		105,294	(105,294)	-	-
UNREALIZED GAINS ON INVESTMENTS		-	61,896	61,896	22,139
BALANCE, END OF YEAR	\$	745,317	\$ 795,580	\$ 1,540,897	\$ 1,098,979

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

BINGHAM MEMORIAL HOSPITAL**STATEMENT OF FINANCIAL POSITION****MARCH 31, 2014**

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash	\$ 197,493	\$ 197,364
Accounts receivable (note 4)	477,738	348,410
Inventories	122,826	128,902
Due from MICs Group of Health Services (note 5)	388,640	817,942
Short-term investments (note 6)	200,491	37,343
	<u>1,387,188</u>	<u>1,529,961</u>
INVESTMENTS (note 7)	699,971	480,232
CAPITAL ASSETS (note 8)	<u>3,622,510</u>	<u>3,759,494</u>
	<u>\$ 5,709,669</u>	<u>\$ 5,769,687</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 166,943	\$ 330,485
Deferred revenue	99,106	202,334
	<u>266,049</u>	<u>532,819</u>
POST-EMPLOYMENT BENEFITS (note 9)	535,957	516,342
DEFERRED CAPITAL CONTRIBUTIONS (note 10)	<u>3,366,766</u>	<u>3,621,547</u>
	<u>4,168,772</u>	<u>4,670,708</u>
NET ASSETS		
INVESTED IN CAPITAL ASSETS (note 11)	745,317	640,023
UNRESTRICTED	<u>795,580</u>	<u>458,956</u>
	<u>1,540,897</u>	<u>1,098,979</u>
	<u>\$ 5,709,669</u>	<u>\$ 5,769,687</u>

CONTINGENCIES AND COMMITMENTS - note 14

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

On behalf of the board

 Director

 Director

BINGHAM MEMORIAL HOSPITAL**STATEMENT OF CASH FLOWS****YEAR ENDED MARCH 31, 2014**

	2014	2013
OPERATING ACTIVITIES		
EXCESS OF REVENUES OVER EXPENSES	\$ 380,022	\$ 404,662
Items not involving cash:		
Amortization of capital assets	367,644	352,571
Amortization of deferred capital contributions	(299,919)	(254,873)
Accrual for post-employment benefits	19,615	20,884
Loss on disposition of capital assets	-	11,563
	467,362	534,807
Changes in:		
Accounts receivable	(129,328)	(92,229)
Inventories	6,076	(8,341)
Accounts payable and accrued liabilities	(163,543)	75,527
Deferred revenue	(103,228)	120,579
	77,339	630,343
INVESTING ACTIVITIES		
Purchase of investments	(358,331)	(19,766)
Proceeds from disposal of investments	37,343	-
Advances from (to) MICs Group of Health Services	429,302	(419,077)
	108,314	(438,843)
CAPITAL ACTIVITIES		
Purchase of capital assets	(230,662)	(210,699)
Capital contributions received	25,000	37,729
Deferred capital contributions transferred from deferred revenue	20,138	-
	(185,524)	(172,970)
CHANGE IN CASH POSITION	129	18,530
CASH POSITION, BEGINNING OF YEAR	197,364	178,834
CASH POSITION, END OF YEAR	\$ 197,493	\$ 197,364

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

BINGHAM MEMORIAL 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 507 8th Ave, Matheson, 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, donations and other contributions 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, 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.

BINGHAM MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

REVENUE RECOGNITION, (CONT'D)

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred.

Unrestricted investment income is recognized as revenue when earned.

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	10 years
Buildings	10-40 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.

BINGHAM MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

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.

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.

BINGHAM MEMORIAL 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 and accounts payable and accrued liabilities. 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.

BINGHAM MEMORIAL 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 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, 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	\$ 197,493	\$ -	\$ 197,493
Accounts receivable	-	477,738	477,738
Due from MICs Group of Health Services	-	405,502	405,502
Short-term investments	200,491	-	200,491
Investments	699,971	-	699,971
Accounts payable and accrued liabilities	-	166,943	166,943

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, short-term investments and investments are considered Level 1 fair value. There were no transfers between levels for the year ended March 31, 2014.

BINGHAM MEMORIAL HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2014****4. ACCOUNTS RECEIVABLE**

	2014	2013
Ministry of Health and Long-Term Care	\$ 10,424	\$ 22,182
Insurers and patients	62,545	74,328
MICs Healthcare Foundation (note 13)	6,705	6,705
Other	398,064	245,195
	<u>\$ 477,738</u>	<u>\$ 348,410</u>

During the year, \$ 11,644 (2013 - \$ nil) 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 \$ 4,649,170 (2013 - \$ 4,580,532) 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	<u>\$ 388,640</u>	<u>\$ 817,942</u>

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.

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.

BINGHAM MEMORIAL HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2014****6. SHORT-TERM INVESTMENTS**

	2014 Cost	2014 Fair Market Value	2013 Cost	2013 Fair Market Value
Guaranteed Investment Certificates, earning interest at a rates between 1.60% and 1.90%, maturing in June 2014 and March 2015, carried at fair market value	\$ 199,604	\$ 200,491	\$ 37,343	\$ 37,343

7. INVESTMENTS

	2014 Cost	2014 Fair Market Value	2013 Cost	2013 Fair Market Value
Mutual funds, carried at fair market value	\$ 449,332	\$ 549,811	\$ 440,603	\$ 480,232
Guaranteed Investments Certificates, earning interest at a rate of 1.85%, maturing in March 2016, carried at fair market value	150,000	150,160	-	-
	<u>\$ 599,332</u>	<u>\$ 699,971</u>	<u>\$ 440,603</u>	<u>\$ 480,232</u>

The market value of investments restricted for use for physician recruitment and retention is \$ 65,927 (2013 - \$ 62,993).

BINGHAM MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

8. CAPITAL ASSETS

	Cost	Accumulated Amortization	2014 Net	2013 Net
Land	\$ 159,212	\$ -	\$ 159,212	\$ 159,212
Land improvements	33,616	33,616	-	1,123
Buildings	7,311,430	4,400,890	2,910,540	3,104,618
Equipment	3,037,138	2,519,675	517,463	494,541
Software	115,560	80,265	35,295	-
	<u>\$ 10,656,956</u>	<u>\$ 7,034,446</u>	<u>\$ 3,622,510</u>	<u>\$ 3,759,494</u>

As at March 31, 2014, there were \$ 41,419 (2013 - nil) of capital projects in progress. These assets were not amortized.

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).

9. 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 ending 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.

BINGHAM MEMORIAL HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2014****9. POST-EMPLOYMENT BENEFITS PAYABLE, (CONT'D)**Accrued benefit liability:

	Hospital	Share of MICS	2014 Total	2013 Total
Accrued benefit obligation	\$ 362,842	\$ 68,608	\$ 431,450	\$ 437,867
Unamortized actuarial loss (gain)	109,804	(5,297)	104,507	78,475
Accrued benefit liability	<u>\$ 472,646</u>	<u>\$ 63,311</u>	<u>\$ 535,957</u>	<u>\$ 516,342</u>

Benefit expense:

	Hospital	Share of MICS	2014 Total	2013 Total
Accrued benefit obligation, beginning of year	\$ 368,912	\$ 68,955	\$ 437,867	\$ 430,385
Unamortized actuarial loss (gain)	88,685	(10,210)	78,475	65,073
Accrued benefit liability, beginning of year	457,597	58,745	516,342	495,458
Current service cost	19,286	5,106	24,392	25,115
Interest	14,580	2,735	17,315	20,382
Amortization	(10,434)	1,201	(9,233)	(7,655)
Total expense	23,432	9,042	32,474	37,842
Benefit payment	(8,383)	(4,476)	(12,859)	(16,958)
Accrued benefit liability, end of year	<u>\$ 472,646</u>	<u>\$ 63,311</u>	<u>\$ 535,957</u>	<u>\$ 516,342</u>

BINGHAM MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

9. POST-EMPLOYMENT BENEFITS PAYABLE, (CONT'D)

The above amounts exclude contributions to the Hospitals of Ontario Pension Plan, a multi-employer plan, described in note 12.

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 %).

10. 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	\$ 9,689,327	\$ 9,651,598
Funding received during the year	25,000	37,729
Funding transferred from deferred revenue during the year	20,138	-
Balance, end of year	9,734,465	9,689,327
ACCUMULATED AMORTIZATION		
Balance, beginning of year	(6,067,780)	(5,812,907)
Amortization for the year	(299,919)	(254,873)
Balance, end of year	(6,367,699)	(6,067,780)
NET DEFERRED CAPITAL CONTRIBUTIONS	\$ 3,366,766	\$ 3,621,547

BINGHAM MEMORIAL HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2014****10. DEFERRED CAPITAL CONTRIBUTIONS, (CONT'D)**

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	\$ 47,197	\$ 57,426
Health Infrastructure Renewal Fund	417,376	444,650
North East Local Health Integration Network.	25,000	-
	<u>\$ 489,573</u>	<u>\$ 502,076</u>

11. INVESTED IN CAPITAL ASSETS

	2014	2013
Capital assets	\$ 3,622,510	\$ 3,759,494
Deferred capital contributions	(3,366,766)	(3,621,547)
Unexpended deferred capital contributions	489,573	502,076
	<u>\$ 745,317</u>	<u>\$ 640,023</u>

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

	2014	2013
Purchase of capital assets	\$ 230,662	\$ 210,699
Amortization of capital assets	(367,644)	(352,571)
Loss on disposition of capital asset	-	(11,563)
	<u>(136,982)</u>	<u>(153,435)</u>
Capital contributions received during the year	(25,000)	(37,729)
Capital contributions transferred from deferred revenue	(20,138)	-
Net change in unexpended deferred capital contributions	(12,505)	(15,653)
Amortization of deferred capital contributions	299,919	254,873
	<u>242,276</u>	<u>201,491</u>
	<u>\$ 105,294</u>	<u>\$ 48,056</u>

BINGHAM MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

12. 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 \$ 257,875 (2013 - \$ 240,945) 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.

13. 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 - \$ 6,705). As of March 31, 2014, the Foundation owed the Hospital an amount of \$ 6,705 (2013 - \$ 6,705). 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.

14. 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.

BINGHAM MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

15. 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.

16. 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:

		Total	Current	31-60 days	61-90 days	90+ days
MOHLTC	\$	10,424	\$ 10,424	\$ -	\$ -	\$ -
Insurers and patients		62,545	49,822	8,051	1,542	3,130
MICs						
Healthcare Foundation		6,705	-	-	-	6,705
Other		398,064	398,064	-	-	-
	\$	477,738	\$ 458,310	\$ 8,051	\$ 1,542	\$ 9,835

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.

BINGHAM MEMORIAL HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2014**

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

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.

BINGHAM MEMORIAL 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	\$ 5,676,900	\$ 5,834,819	\$ 5,689,394
Ministry of Health - Physician specific	832,512	887,981	893,816
Ministry of Health - One-time funding	-	82,100	216,086
	\$ 6,509,412	\$ 6,804,900	\$ 6,799,296

SCHEDULE OF SALARIES AND WAGES**Schedule 2**

	Budget (Unaudited)	2014 Actual	2013 Actual
Nursing services	\$ 1,972,954	\$ 1,890,026	\$ 1,895,847
Diagnostic and therapeutic	477,080	444,118	429,129
Education	19,822	19,423	19,316
Administration and other	1,048,344	977,941	956,921
	\$ 3,518,200	\$ 3,331,508	\$ 3,301,213

SCHEDULE OF SUPPLIES AND OTHER EXPENSES**Schedule 3**

	Budget (Unaudited)	2014 Actual	2013 Actual
Nursing services	\$ 45,360	\$ 46,041	\$ 39,916
Diagnostic and therapeutic	476,590	434,082	432,696
Education	37,080	20,346	26,722
Administration and other	1,080,678	1,084,084	934,657
	\$ 1,639,708	\$ 1,584,553	\$ 1,433,991