

**THE MICs GROUP OF HEALTH SERVICES**  
**FINANCIAL STATEMENT**  
**TO MARCH 31, 2013**

**THE MICs GROUP OF HEALTH SERVICES**

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for the year ended March 31, 2013

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# DORLAND & DORLAND

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## INDEPENDENT AUDITOR'S REPORT

TO: The MICs Collaboration & Planning Board,  
The MICs Group of Health Services

I have audited the accompanying financial statements of The MICs Group of Health Services which comprise the balance sheet as at March 31, 2013 and the statements of revenue and expense, and changes in net assets (deficit) 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 The MICs Group of Health Services as at March 31, 2013 and the results of its operations and the change in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.



Cochrane, Ontario  
October 23, 2013

CHARTERED ACCOUNTANT  
Licensed Public Accountant

## THE MICs GROUP OF HEALTH SERVICES

BALANCE SHEET  
as at March 31, 2013

	ASSETS	2013	2012 (restated)
CURRENT			
Cash	\$	5,316,449	4,827,870
Accounts receivable		<u>13,240</u>	<u>50,989</u>
		5,329,689	4,878,859
CAPITAL			
Equipment and information systems (Note 4)		530,683	423,521
OTHER			
Accrued benefit liability recoverable (Note 5)		<u>226,386</u>	<u>210,634</u>
	\$	<u>6,086,758</u>	<u>5,513,014</u>

## LIABILITIES, DEFERRED CONTRIBUTIONS and NET ASSETS (DEFICIT)

## CURRENT LIABILITIES

Accounts payable and accrued liabilities (Note 3)	\$	3,239,603	3,327,454
Due to participating hospitals (Note 3)		2,636,873	1,980,161
Deferred revenue		<u>5,438</u>	<u>8,642</u>
		5,881,914	5,316,257

## ACCRUED BENEFIT LIABILITY

Employee future benefits (Note 5)		226,386	210,634
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## NET ASSETS (DEFICIT) – Unrestricted

	(21,542)	(13,877)
	<u>\$ 6,086,758</u>	<u>5,513,014</u>

APPROVED ON BEHALF OF THE BOARD:

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 See accompanying notes.

## THE MICs GROUP OF HEALTH SERVICES

STATEMENT OF REVENUE AND EXPENSE  
for the year ended March 31, 2013

	2013	2012 (restated)
<b>REVENUE</b>		
Contributions to shared costs and recoveries of direct charges from participating hospitals (Note 3)	\$ 23,751,121	23,798,864
Other		
Amortization of Deferred Capital Contributions	-	179,171
Interest	43,772	36,351
Diabetes program	333,826	307,908
Management and administration services - participating hospitals	182,500	209,068
Other recoveries	28,511	12,962
Psychogeriatric nurse program	8,360	72,502
Lifeline program (net)	(2,079)	2,675
Long Term Care Physiotherapy Program	66,739	89,375
Under serviced Area Program – clinics	281,360	324,848
Occupational Health & Safety	15,662	21,380
	<u>24,709,722</u>	<u>25,055,104</u>
<b>EXPENSE</b>		
Salaries and benefits		
Management, and financial administration	1,592,670	1,503,518
Education	99,691	96,245
Human resources	391,944	368,112
Support services	3,244,610	3,219,072
Clinical Nutrition	99,222	59,109
Nursing services	8,689,706	8,607,648
Paramedical	2,298,238	2,475,087
Physiotherapy services	305,293	309,559
Physician Clinics	279,762	183,482
Nursing Homes	5,689,531	5,410,870
Unallocated employee future benefits	78,565	559,224
	<u>22,769,232</u>	<u>22,791,926</u>
Supplies, services and other		
Office, recruiting, sundry	101,704	106,987
Information technology	426,307	454,452
Telephone and data communication	19,481	12,968
Travel	107,087	103,055
Professional and other fees	333,021	160,073
Education	40,363	42,820
Depreciation	216,031	559,072
Occupational Health & Safety	8,340	15,674
Diabetes program salaries, benefits, services	333,640	307,908
Psychogeriatric Nurse	8,360	83,271
Long Term Care Physiotherapy Program	66,739	89,375
Under-serviced Area Program – clinics	287,132	317,119
	<u>24,717,437</u>	<u>25,044,700</u>
<b>SURPLUS (DEFICIT) FOR THE YEAR</b>	<b>\$ (7,665)</b>	<b>10,404</b>

See accompanying notes.

**THE MICs GROUP OF HEALTH SERVICES**  
**STATEMENT OF CHANGES IN NET ASSETS (DEFICIT)**  
for the year ended March 31, 2013

	<del>-----2013-----</del>				
	<u>Bingham Memorial Hospital</u>	<u>Anson General Hospital</u>	<u>Lady Minto Hospital</u>	<u>Total</u>	<u>2012 Total</u>
Balance beginning of year	\$ (3,607)	(5,135)	(5,135)	(13,877)	(24,281)
(Deficit) Surplus for year	<u>(1,993)</u>	<u>(2,836)</u>	<u>(2,836)</u>	<u>(7,665)</u>	<u>10,404</u>
Balance end of year	\$ <u>(5,600)</u>	<u>(7,971)</u>	<u>(7,971)</u>	<u>(21,542)</u>	<u>(13,877)</u>

See accompanying notes.



**THE MICs GROUP OF HEALTH SERVICES****NOTES TO FINANCIAL STATEMENT**  
for the year ended March 31, 2013**1. MICs PARTNERSHIP**

The MICs Group of Health Services partnership was established to increase opportunities for collaboration between its member hospitals in the sharing of costs and provision of health services. The present participating hospitals are Bingham Memorial Hospital, Anson General Hospital, and The Lady Minto Hospital at Cochrane. Other than direct charges for specified salaries and benefits at actual cost, share of costs to participating hospitals is determined by a formula agreed to by the Board on a cost – recovery basis. MICs is a non-profit organization not subject to income tax.

**2. SIGNIFICANT ACCOUNTING POLICIES****Conversion to Public Sector Accounting Standards**

Commencing with the 2012/2013 fiscal year, the participating hospitals of the Partnership adopted Canadian Public Sector Accounting Standards for government not-for-profit organizations. The accounting changes were applied retroactively with restatement of prior periods.

Taking into account the nature, organization and purpose of the partnership as a cost-sharing mechanism for the participant hospitals, it has been considered appropriate that the partnership adopt these same standards beginning with the 2012/2013 fiscal year, applied retroactively with restatement of prior period (Note 11).

The impact of the adoption of these standards on the financial statements of the partnership is limited to the Unallocated employee future benefits expense and related Hospital contributions, and Accrued benefit liability and offsetting Accrual benefit liability recoverable.

**Other**

Contributions from participating hospitals are recognized as revenue as related expenses are incurred.

Capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives. In the year of acquisition, amortization expense is calculated proportionate to the period of time during the year that the asset was held and in use.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchases of capital assets are deferred and amortized into revenue on a straight line basis, at a rate corresponding with the amortization rate for the related capital assets. Capital contributions were fully amortized into revenues at March 31, 2012. The corresponding revenue for that fiscal year was \$179,171.

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

**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, disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditure during the reporting period. Actual results may vary from current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known.

## THE MICs GROUP OF HEALTH SERVICES

## NOTES TO FINANCIAL STATEMENT

for the year ended March 31, 2013

**3. AMOUNTS RECOVERABLE, ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (CURRENT)**

In addition to sharing of particular costs through the partnership, accounts payable and payroll for the participating hospitals are processed through the MICs bank account. Accounts payable and accrued liabilities reflected on the MICs Balance Sheet \$3,239,603 (2012 - \$3,327,454) include amounts to be paid by MICs on behalf of the hospitals. Considering the number of transactions involved, it is not considered practical to identify the amounts by hospital.

Amounts due to participating hospitals represent the excess of amounts advanced to MICs by or on behalf of the hospitals, over the hospitals' share of MICs costs and amounts paid or to be paid by MICs on behalf of the hospital.

	2013	2012
Amounts due to		
participating hospitals (current)		
Anson General Hospital	\$ 1,249,796	1,302,458
Bingham Memorial Hospital	817,942	398,865
Lady Minto Hospital at Cochrane	<u>569,135</u>	<u>278,838</u>
	\$ <u>2,636,873</u>	<u>1,980,161</u>

Balances due to/from participating hospitals bear no interest.

Contributions and recovery of direct charges to participating hospitals are as follows:

	2013	2012 (restated)
Anson General Hospital	\$ 10,082,388	10,003,751
Bingham Memorial Hospital	4,569,775	4,656,577
Lady Minto Hospital at Cochrane	<u>9,098,958</u>	<u>9,138,536</u>
	\$ <u>23,751,121</u>	<u>23,798,864</u>



## THE MICs GROUP OF HEALTH SERVICES

## NOTES TO FINANCIAL STATEMENT

for the year ended March 31, 2013

## 4. CAPITAL ASSETS

	-----2013-----		2012
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Information systems network hardware, software, office and sundry equipment	\$ <u>3,395,214</u>	<u>2,864,531</u>	<u>530,683</u>
			<u>423,521</u>

Information systems network hardware and software is generally considered to have an estimated useful life of three years. Telephone system and other equipment are considered to have an estimated useful life of five years.

During the year ended March 31, 2013, the partnership acquired capital assets costing \$323,194 (2012 - \$188,257). This was financed through advances from participating hospitals, or included in Accounts Payable and Accrued Liabilities.

In 2007/08 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 capital cost of the software licences, contribution to hardware and implementation to March 31, 2013 was \$1,327,078. Government assistance to the participating MICs hospitals in total towards the cost was \$685,212, leaving the balance to be borne by the hospitals. The capital cost of the system and the related accrued Government assistance are reflected on the financial statement of the partnership. The respective hospital's share of cost after applying government assistance is recognized as the capital cost of the system and the related government assistance are amortized.

## THE MICs GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENT  
for the year ended March 31, 2013

## 5. EMPLOYEE FUTURE BENEFITS

The MICs Group of Health Services and participating hospitals, 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. Expenses are allocated to respective facilities according to where services are provided by the respective employee.

The latest actuarial valuation was dated May 22, 2013 for the fiscal year ending March 31, 2013.

The "Accrued Benefit Liability" and corresponding "Accrued Benefit Liability Recoverable" reflected on the MICs Balance Sheet relates only to those MICs employees whose costs are shared according to the predetermined cost sharing formula. The liabilities related to those MICs employees whose costs are charged directly to participating facilities are reflected on the balance sheets of the respective hospitals.

The amounts of those liabilities are as follows:

	2013	2012 (restated)
Anson General Hospital	\$ 1,038,093	1,004,037
Bingham Memorial Hospital	457,597	440,809
Lady Minto Hospital at Cochrane	<u>1,158,138</u>	<u>1,110,811</u>
	\$ <u>2,653,828</u>	<u>2,555,657</u>

Experience gains and losses 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 estimated service period of active employees.

## THE MICs GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENT  
for the year ended March 31, 2013

## 5. EMPLOYEE FUTURE BENEFITS (continued)

The MICs accrued benefit liability related to post-retirement benefit plans for the above-referenced employees and its proportionate share of accrued benefit liability on the balance sheet at March 31, 2013 is determined as follows:

	2013	2012 (restated)
Balance beginning of year as previously reported	\$ 336,393	329,600
Add: Error Correction	30,000	-
Deduct: Effect of change in accounting policy	(155,759)	(149,768)
Restated	<u>210,634</u>	<u>179,832</u>
Additional benefit expense	32,495	30,802
Contributions by employer	(16,743)	-
Net benefit expense	<u>15,752</u>	<u>30,802</u>
Balance end of year	\$ <u>226,386</u>	<u>210,634</u>
Benefit expense is comprised as follows:		
Cost of benefits	\$ 22,894	20,111
Interest on Accrued Benefit Obligation	9,903	10,691
Amortization on actuarial gain	<u>(302)</u>	<u>-</u>
Benefit expense	\$ <u>32,495</u>	<u>30,802</u>

The measurement date used to determine the accrued benefit obligation is March 31, 2013.

The accrued benefit liability at March 31, 2013 is reconciled with the Accrued Benefit obligation at March 31, 2013 as follows:

	2013	2012 (restated)
Accrued benefit obligation at March 31, 2013		
As determined by actuarial valuation extrapolation	\$ 265,658	208,069
Less: unamortized amounts at March 31, 2013		
Actuarial experience gain (loss)	<u>(39,272)</u>	<u>2,565</u>
Accrued employee benefit liability at March 31, 2013	<u>226,386</u>	<u>210,634</u>

## THE MICs GROUP OF HEALTH SERVICES

## NOTES TO FINANCIAL STATEMENT

for the year ended March 31, 2013

**5. EMPLOYEE FUTURE BENEFITS (continued)**

Amounts of accrued benefit liability recoverable from the participating Hospitals in the cost-sharing proportions as agreed to by the participating Hospitals are as follows:

	%	2013	2012 (restated)
Anson General Hospital	37	\$ 83,763	77,935
Bingham Memorial Hospital	26	58,860	54,764
Lady Minto Hospital at Cochrane	<u>37</u>	<u>83,763</u>	<u>77,935</u>
	100	\$ <u>226,386</u>	<u>210,634</u>

The total amount recoverable is reflected on the balance sheet under "Other Assets"

**6. PENSION PLAN**

Substantially all of the employees of the Partnership are eligible to be members of the Hospitals of Ontario Pension, which is a multi-employer final average pay contributory pension plan. Employer contributions made to the plan during the year by the Partnership amounted to \$1,310,704 (2012 - \$1,316,189). These amounts are included in employee benefits expense.

**7. FINANCIAL INSTRUMENTS**

Unless otherwise indicated, the carrying value of financial instruments approximates their fair value due to the generally short-term maturities of these instruments.

**8. CONTINGENT LIABILITY**

The MIC's 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 MICs on completion of the plan is not determinable.



**THE MICs GROUP OF HEALTH SERVICES**

**NOTES TO FINANCIAL STATEMENT**

for the year ended March 31, 2013

**9. CASH FLOW STATEMENT**

A cash flow statement has not been prepared as the required information is readily apparent from the other financial statements or adequately disclosed in the notes to the financial statements.

**10. INFORMATION SYSTEM SUPPORT SERVICES**

As participants in the regional NEON information systems network (Note 4) the MICs Group of Health Services is required to pay monthly fees for on-going systems support on behalf of the MICs partners. During the 2012/13 year, the Group paid \$226,092 in total for such fees (2011/12 - \$226,092). Fees are determined on a cost-recovery basis and are subject to annual review and possible adjustment to reflect inflationary and other operational increases or decreases. Fee rates are also subject to negotiated changes which may arise to reflect changes to the shared information system.

During the year, MICs paid \$125,141 for additional ongoing information system support services (2012 – \$117,922)

**11. COMPARATIVE FIGURES**

Comparative figures have been restated as follows:

Unallocated employee future benefits expense and Contributions to shared costs and recoveries of direct charges from participant hospitals have each been decreased by \$36,793 to correct error in amounts previously reported and increased by \$284,929 to reflect impact of conversion to Public Sector Accounting Standards for government not-for-profit organizations;

Accrued benefit liability and accrued benefit liability recoverable each increased by \$30,000 to correct error in amounts previously reported, decreased by \$155,759 to reflect impact of conversion to PSAB.

# DORLAND & DORLAND

*Chartered Accountant*

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October 10, 2013

Chair and Members  
MICs Collaboration  
& Planning Board

Dear Ladies and Gentlemen:

The following comments are submitted to assist in your review of the financial position of MICs Group of Health Services partnership at March 31, 2013 and results of its operations for the year then ended.

As referred to in Note 2 to the financial statement, the participating hospitals of the partnership adopted Canadian Public Sector Accounting Standards for government not-for-profit organizations for 2012/2013 and it has been considered appropriate that the partnership adopt these standards.

The adoption of the standards had no effect on Net Assets of the partnership. The impact of the retroactive changes on assets, liabilities, revenues and expenses is reflected in the restated comparative figures (Note 11).

## **Statement of Revenue and Expense - (Statement "2")**

The deficit for the year (\$7,665) is related to various programs as follows:

Life line	\$ (2,079)
Diabetes	186
Under-serviced Area Program – clinics	(5,772)
	\$ (7,665)

Partnership also provided the following programs with full cost recovery.

Long Term Care Physiotherapy	\$ 66,739
Psychogeriatric Nurse	<u>8,360</u>
	\$ <u>75,099</u>

Expenses reflected on the Statement of Revenue and Expense include MICs costs which were shared on the formula basis as determined by the Board, and costs for staff which were MICs employees and charged to the hospitals on a direct charge basis.

The breakdown by hospitals of the total contributions is as follows:

	2013	2012 (restated)
Anson General Hospital	\$ 10,082,388	10,003,751
Bingham Memorial Hospital	4,569,775	4,656,577
Lady Minto Hospital at Cochrane	<u>9,098,958</u>	<u>9,138,536</u>
	\$ <u>23,751,121</u>	<u>23,798,864</u>

Individual hospital contributions include direct charges for staff referred to above as well as contributions to shared costs.

Individual hospital's contributions to shared costs are determined after deducting amortization of deferred capital contributions, interest income, and management and administration services and other recoveries.

Note that the recoveries are allocated to participating hospitals using the same formula as shared expenses with the exception of amortization of deferred capital contributions which is allocated in the same proportions as the respective hospital's assistance received for the projects is of the total related financial assistance (\$685,212).

#### **Balance Sheet - (Statement "1")**

##### Capital Assets (\$530,683)

As referred to in Note 4 to the financial statement, additions to capital assets during the year totalled \$323,194 (2012 - \$188,257).

Costs for acquisition of MICs capital assets are recovered from participating hospitals by the inclusion in shared costs of the related annual depreciation expense, over the time the assets are depreciated, which is generally three years for computers and software.

Where Government or other financial assistance is received towards the cost of capital assets, this is applied to reduce participating hospital's share of costs by netting the amortization of the deferred capital contribution against expenses to be recovered. The amortization is calculated on a straight-line basis over the same period as that used to amortize the acquired capital asset.

##### Accrued Benefit Liability Recoverable (\$226,386)

This represents the accrued employee future benefit liability for only those MICs employees for whom expenses are recoverable from participating hospitals in the agreed upon cost sharing proportions.

The liabilities related to those MICs employees whose costs are charged directly to participating hospitals are reflected on their respective balance sheets and disclosed in Note 5 to the financial statement.

##### Accounts Payable and Accrued Liabilities (\$3,239,603)

This includes amounts for payroll and other costs for participating hospitals which will ultimately be paid through the MICs bank account as well as MICs related accounts payable and accruals.



Amounts due to participating hospitals

Amounts by hospital are provided in Note 3 to the financial statement.

As referred to in the Note amounts due to a hospital arise at the end of the year where funds advanced from Ministry of Health, or otherwise deposited in the MICs account on behalf of a particular hospital, exceed that hospital's operating expense (excluding depreciation and employee future benefits) and that hospital's capital expenditures, which have been paid or are payable through the MICs account. Balances are brought forward from year to year.

**Statement of Changes in Net Assets (Deficit) - (Statement "3")**

The accumulated deficit for the partnership at March 31, 2013 was \$21,542 (2012 - \$13,877).

The deficit is allocated by the same formula used to determine each partner's share of expenses in accordance with the partnership agreement.

Respectfully submitted,



JCD\*ppd

J. Clive Dorland CPA, CA