

LADY MINTO HOSPITAL

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

MARCH 31, 2014



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Chartered Accountants / Comptables Agréés

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Lady Minto Hospital

Report on the Financial Statements

We have audited the accompanying financial statements of Lady Minto 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 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 Lady Minto Hospital as at March 31, 2014, and the results of its operations, its remeasurement gains 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, 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 18, 2013.

Collins Barrow Gagné Gagnon Bisson Hébert

Chartered Accountants
Licenced Public Accountants
June 18, 2014

LADY MINTO HOSPITAL

FINANCIAL STATEMENTS

MARCH 31, 2014

Statement of Operations	1
Statement of Remeasurement Gains	2
Statement of Changes in Net Assets	3
Statement of Financial Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 20
Schedule of Ministry of Health and Long-Term Care	21
Schedule of Salaries and Wages	21
Schedule of Supplies and Other Expenses	21
Schedule of Villa Minto Nursing Home - Statement of Operations	22

LADY MINTO 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	\$ 11,058,312	\$ 11,501,162	\$ 11,410,612
Cancer Care Ontario	80,000	210,766	203,939
Ontario Health Insurance	198,800	185,902	194,346
Other patient care revenue	238,676	181,150	158,826
Recoveries and other income	953,942	969,391	967,871
Investment income	15,000	60,107	105,144
Amortization of deferred capital contributions - equipment	140,000	74,855	128,993
	<u>12,684,730</u>	<u>13,183,333</u>	<u>13,169,731</u>
EXPENSES			
Salaries and wages, schedule 2	5,755,801	5,628,556	5,608,867
Employee benefits	1,616,512	1,564,426	1,602,225
Medical staff remuneration	1,670,000	1,891,099	2,033,225
Supplies and other expenses, schedule 3	2,778,356	2,866,895	2,421,960
Medical and surgical supplies	208,750	228,017	235,637
Drugs and medical gases	274,000	315,170	321,413
Amortization of equipment	361,600	350,527	339,617
	<u>12,665,019</u>	<u>12,844,690</u>	<u>12,562,944</u>
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS			
	<u>19,711</u>	<u>338,643</u>	<u>606,787</u>
Amortization of deferred capital contributions - buildings	220,000	227,240	220,040
Amortization of buildings	(500,000)	(527,846)	(515,949)
	<u>(280,000)</u>	<u>(300,606)</u>	<u>(295,909)</u>
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES) BEFORE OTHER PROGRAMS AND OTHER VOTES			
	<u>(260,289)</u>	<u>38,037</u>	<u>310,878</u>
OTHER PROGRAMS			
Villa Minto Nursing Home-Surplus(Deficit), schedule 4	-	49,293	(26,846)
EXCESS OF EXPENSES OVER REVENUES BEFORE OTHER VOTES			
	<u>(260,289)</u>	<u>87,330</u>	<u>284,032</u>
OTHER VOTES- MUNICIPAL LEVY			
Revenue	4,350	4,350	4,350
Expense	(4,350)	(4,350)	(4,350)
	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)			
	<u>\$ (260,289)</u>	<u>\$ 87,330</u>	<u>\$ 284,032</u>

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

LADY MINTO HOSPITAL**STATEMENT OF REMEASUREMENT GAINS****YEAR ENDED MARCH 31, 2014**

	2014	2013
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF YEAR	\$ 70,447	\$ 75,946
UNREALIZED GAINS ON INVESTMENTS	87,595	37,426
AMOUNTS RECLASSIFIED TO THE STATEMENT OF OPERATIONS	(6,283)	(42,925)
NET REMEASUREMENT GAINS (LOSSES)	81,312	(5,499)
ACCUMULATED REMEASUREMENT GAINS, END OF YEAR	\$ 151,759	\$ 70,447

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

LADY MINTO HOSPITAL**STATEMENT OF CHANGES IN NET ASSETS****YEAR ENDED MARCH 31, 2014**

		Invested in Capital Assets and Intangible Assets (note 12)	Unrestricted	Total 2014	Total 2013
BALANCE, BEGINNING OF YEAR	\$	8,253,923	\$ 2,547,298	\$ 10,801,221	\$ 10,522,688
EXCESS OF REVENUES OVER EXPENSES		-	87,330	87,330	284,032
NET CHANGE IN INVESTED IN CAPITAL ASSETS AND INTANGIBLE ASSETS (note 12)		(520,017)	520,017	-	-
UNREALIZED GAINS (LOSSES) ON INVESTMENTS		-	81,312	81,312	(5,499)
BALANCE, END OF YEAR	\$	7,733,906	\$ 3,235,957	\$ 10,969,863	\$ 10,801,221

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

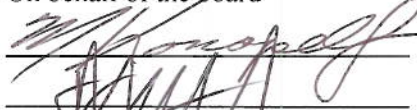

LADY MINTO HOSPITAL
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2014

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,844,439	\$ 1,769,791
Accounts receivable (note 4)	557,063	411,405
Prepaid expenses	15,648	16,705
Inventories	264,234	172,098
Due from MICs Group of Health Services (note 5)	656,693	569,134
	<u>3,338,077</u>	<u>2,939,133</u>
LONG-TERM RECEIVABLES (note 6)	177,933	182,492
INVESTMENTS (note 7)	1,840,599	1,773,829
CAPITAL ASSETS (note 8)	9,763,309	10,392,386
INTANGIBLE ASSETS (note 9)	617,082	655,650
	<u>\$ 15,737,000</u>	<u>\$ 15,943,490</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 423,694	\$ 590,644
Deferred revenue	102,000	57,167
	<u>525,694</u>	<u>647,811</u>
POST-EMPLOYMENT BENEFITS PAYABLE (note 10)	1,265,649	1,241,734
DEFERRED CAPITAL CONTRIBUTIONS (note 11)	2,975,794	3,252,724
	<u>4,767,137</u>	<u>5,142,269</u>
NET ASSETS		
INVESTED IN CAPITAL ASSETS AND		
INTANGIBLE ASSETS (note 12)	7,733,906	8,253,923
UNRESTRICTED	3,235,957	2,547,298
	<u>10,969,863</u>	<u>10,801,221</u>
	<u>\$ 15,737,000</u>	<u>\$ 15,943,490</u>

CONTINGENCIES AND COMMITMENTS - note 15

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

On behalf of the board

 Director
 Director

LADY MINTO HOSPITAL**STATEMENT OF CASH FLOWS****YEAR ENDED MARCH 31, 2014**

	2014	2013
OPERATING ACTIVITIES		
EXCESS OF REVENUES OVER EXPENSES	\$ 87,330	\$ 284,032
Items not involving cash:		
Amortization of capital assets	912,750	869,916
Amortization of licence	38,568	38,568
Amortization of deferred capital contributions	(315,068)	(358,943)
Loss of disposition of capital assets	-	1,750
Gain on disposition of investments	(6,283)	(42,925)
Accrual for post-employment benefits	23,914	53,155
	<u>741,211</u>	<u>845,553</u>
Changes in:		
Accounts receivable	(145,658)	(163,317)
Prepaid expenses	1,057	(900)
Inventories	(92,136)	24,301
Accounts payable and accrued liabilities	(166,951)	113,842
Deferred revenue	44,833	57,167
	<u>382,356</u>	<u>876,646</u>
INVESTING ACTIVITIES		
Long-term receivable	4,559	(52,720)
Net investment dispositions (purchases)	20,827	(157,598)
Advances to MICs Group of Health Services	(87,559)	(290,297)
	<u>(62,173)</u>	<u>(500,615)</u>
CAPITAL ACTIVITIES		
Purchase of capital assets	(283,673)	(578,485)
Capital contributions received	18,000	222,765
Deferred capital contributions transferred from deferred revenue	20,138	-
	<u>(245,535)</u>	<u>(355,720)</u>
CHANGE IN CASH POSITION	<u>74,648</u>	<u>20,311</u>
CASH POSITION, BEGINNING OF YEAR	<u>1,769,791</u>	<u>1,749,480</u>
CASH POSITION, END OF YEAR	<u>\$ 1,844,439</u>	<u>\$ 1,769,791</u>

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

LADY MINTO 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 241 8th Street, Cochrane, 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 nursing home, 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.

LADY MINTO 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.

LADY MINTO 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.

LADY MINTO 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, long-term receivables 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.

LADY MINTO 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	\$ 1,844,439	\$ -	\$ 1,844,439
Accounts receivable	-	557,063	557,063
Due from MICs Group of Health Services	-	656,693	656,693
Long-term receivables	-	177,933	177,933
Investments	1,840,599	-	1,840,599
Accounts payable and accrued liabilities	-	423,694	423,694

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.

LADY MINTO HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

4. ACCOUNTS RECEIVABLE

	2014	2013
Ministry of Health and Long-Term Care	\$ 54,828	\$ -
Insurers and patients	152,841	137,525
MICs Healthcare Foundation (note 14)	86,175	86,175
Other	263,219	187,705
	<u>\$ 557,063</u>	<u>\$ 411,405</u>

During the year, \$ 5,713 (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 \$ 9,069,118 (2013 - \$ 9,033,186) 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>\$ 656,693</u>	<u>\$ 569,134</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.

LADY MINTO HOSPITAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

6. LONG-TERM RECEIVABLES

	2014	2013
Physician and nursing recruitment incentive agreements, interest free, unsecured, due over varying terms	\$ 177,933	\$ 182,492

7. INVESTMENTS

	2014 Cost	2014 Fair Market Value	2013 Cost	2013 Fair Market Value
Equity instruments, carried at fair market value	\$ 539,657	\$ 680,696	\$ 523,948	\$ 557,885
Guaranteed Investment Certificates, earning interest at rates between 1.22% and 4.78%, maturing at various dates, carried at fair market value	1,150,058	1,159,903	1,179,434	1,215,944
	\$ 1,689,715	\$ 1,840,599	\$ 1,703,382	\$ 1,773,829

8. CAPITAL ASSETS

	Cost	Accumulated Amortization	2014 Net	2013 Net
Land	\$ 86,514	\$ -	\$ 86,514	\$ 86,514
Land improvements	124,532	114,829	9,703	124,532
Buildings	17,650,930	8,941,756	8,709,174	9,091,886
Equipment	5,702,645	4,764,866	937,779	1,088,196
Software	54,998	34,859	20,139	1,258
	\$ 23,619,619	\$ 13,856,310	\$ 9,763,309	\$ 10,392,386

As at March 31, 2014, there are no capital projects in progress (2013 - \$258,473).

LADY MINTO HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

8. CAPITAL ASSETS, (CONT'D)

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. INTANGIBLE ASSETS

	Cost	Accumulated Amortization	2014 Net	2013 Net
Nursing home licence	\$ 771,354	\$ 154,272	\$ 617,082	\$ 655,650

In 1998, the Hospital acquired the Nursing Home Licence to operate a 33 bed Nursing Home pursuant to the Nursing Home Act (Ontario), with an additional four beds held in abeyance by the Ministry of Health and Long-Term Care for the Hospital. The Nursing Home Licence was recorded at cost and was not amortized considering that the licence was not issued for a specified period of time.

Under the Long-Term Care Homes Act (Ontario) and related Regulations which became in effect as of July 1, 2010, a replacement licence for 33 beds was issued for a period of 20 years expiring June 30, 2030, with provisions allowing for issuance of a new licence under particular conditions. The cost of the original licence is now being amortized on a straight line basis over the term of the agreement. A licence may be revoked under particular conditions set out in the Act.

The fair market value of the licence is not readily determinable and may differ from its carrying amount.

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.

LADY MINTO HOSPITAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

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

Accrued benefit liability:

	Hospital	Share of MICS	2014 Total	2013 Total
Accrued benefit obligation	\$ 900,848	\$ 97,638	\$ 998,486	\$ 994,360
Unamortized actuarial loss (gain)	274,708	(7,545)	267,163	247,374
Accrued benefit liability	<u>\$ 1,175,556</u>	<u>\$ 90,093</u>	<u>\$ 1,265,649</u>	<u>\$ 1,241,734</u>

Benefit expense:

	Hospital	Share of MICS	2014 Total	2013 Total
Accrued benefit obligation, beginning of year	\$ 896,232	\$ 98,128	\$ 994,360	\$ 1,000,835
Unamortized actuarial loss (gain)	261,905	(14,531)	247,374	187,744
Accrued benefit liability, beginning of year	1,158,137	83,597	1,241,734	1,188,579
Current service cost	52,629	7,266	59,895	60,898
Interest	35,698	3,892	39,590	47,595
Amortization	(30,813)	1,709	(29,104)	(22,087)
Total expense	57,514	12,867	70,381	86,406
Benefit payment	(40,095)	(6,371)	(46,466)	(33,251)
Accrued benefit liability, end of year	<u>\$ 1,175,556</u>	<u>\$ 90,093</u>	<u>\$ 1,265,649</u>	<u>\$ 1,241,734</u>

LADY MINTO HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

10. 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 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 %).

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	\$ 9,829,064	\$ 9,606,299
Funding received during the year	18,000	222,765
Funding transferred from deferred revenue during the year	20,138	-
Balance, end of year	9,867,202	9,829,064
ACCUMULATED AMORTIZATION		
Balance, beginning of year	(6,576,340)	(6,217,397)
Amortization for the year	(315,068)	(358,943)
Balance, end of year	(6,891,408)	(6,576,340)
NET DEFERRED CAPITAL CONTRIBUTIONS	\$ 2,975,794	\$ 3,252,724

LADY MINTO HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

11. 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	\$ 134,279	\$ 246,861
Health Infrastructure Renewal Fund	195,030	211,750
	<u>\$ 329,309</u>	<u>\$ 458,611</u>

12. INVESTED IN CAPITAL ASSETS AND INTANGIBLE ASSETS

	2014	2013
Capital assets	\$ 9,763,309	\$ 10,392,386
Intangible assets	617,082	655,650
Deferred capital contributions	(2,975,794)	(3,252,724)
Unexpended deferred capital contributions	329,309	458,611
	<u>\$ 7,733,906</u>	<u>\$ 8,253,923</u>

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

	2014	2013
Purchase of capital assets	\$ 283,673	\$ 578,485
Amortization of capital assets	(912,750)	(869,916)
Amortization of licence	(38,568)	(38,568)
Loss on disposition of capital assets	-	(1,750)
	<u>(667,645)</u>	<u>(331,749)</u>
Capital contributions received during the year	(18,000)	(222,765)
Capital contributions transferred from deferred revenue	(20,138)	-
Net change in unexpended deferred capital contributions	(129,302)	(18,263)
Amortization of deferred capital contributions	315,068	358,943
	<u>147,628</u>	<u>117,915</u>
	<u>\$ (520,017)</u>	<u>\$ (213,834)</u>

LADY MINTO 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 \$ 515,219 (2013 - \$ 509,443) 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 - \$ 86,175). As of March 31, 2014, the Foundation owed the Hospital an amount of \$ 86,175 (2013 - \$ 86,175). 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.

LADY MINTO HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

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 Hospital participates in the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its hospital members. All members of the HIROC pool pay actuarially determined annual premiums. All members are subject to assessment for losses, if any, experienced by the pool for the years in which they were members. No assessments have been made for the year ended March 31, 2014.

c) 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.

16. 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.

17. 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, long-term 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:

LADY MINTO HOSPITAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

17. FINANCIAL INSTRUMENTS RISK MANAGEMENT, (CONT'D)

	Total	Current	31-60 days	61-90 days	90+ days
MOHLTC	\$ 54,828	\$ 54,828	\$ -	\$ -	\$ -
Insurers and patients	152,841	122,265	11,198	4,076	15,302
MICs					
Healthcare Foundation	86,175	-	-	-	86,175
Other	263,219	263,219	-	-	-
	\$ 557,063	\$ 440,312	\$ 11,198	\$ 4,076	\$ 101,477

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.

LADY MINTO HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2014**

17. 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.

LADY MINTO 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	\$ 9,440,800	\$ 9,583,227	\$ 9,460,300
Ministry of Health - Physician specific	1,575,000	1,732,384	1,744,167
Ministry of Health - One-time funding	42,512	185,551	206,145
Ministry of Health - Palliative Care	-	100,000	-
Transfer Palliative Care to Villa Minto Nursing Home	-	(100,000)	-
	\$ 11,058,312	\$ 11,501,162	\$ 11,410,612

SALARIES AND WAGES

Schedule 2

	Budget (Unaudited)	2014 Actual	2013 Actual
Nursing services	\$ 2,550,685	\$ 2,637,100	\$ 2,643,138
Diagnostic and therapeutic	1,041,726	928,709	875,117
Education	28,212	27,641	27,488
Administration and other	2,135,178	2,035,106	2,063,124
	\$ 5,755,801	\$ 5,628,556	\$ 5,608,867

SUPPLIES AND OTHER EXPENSES

Schedule 3

	Budget (Unaudited)	2014 Actual	2013 Actual
Nursing services	\$ 61,400	\$ 69,616	\$ 71,901
Diagnostic and therapeutic	748,330	798,176	606,731
Education	51,160	31,618	35,890
Administration and other	1,917,466	1,967,485	1,707,438
	\$ 2,778,356	\$ 2,866,895	\$ 2,421,960

LADY MINTO HOSPITAL**SCHEDULES TO FINANCIAL STATEMENTS****YEAR ENDED MARCH 31, 2014****VILLA MINTO NURSING HOME - STATEMENT OF OPERATIONS****Schedule 4**

	2014	2013
REVENUES		
Provincial subsidies	\$ 1,667,604	\$ 1,613,178
Transfer of Palliative Care from Lady Minto Hospital	100,000	-
Charges to residents	599,246	588,510
Amortization of deferred capital contributions - equipment	12,973	9,910
Other revenue	-	5,346
	<u>2,379,823</u>	<u>2,216,944</u>
EXPENSES		
Salaries and benefits	1,900,050	1,872,359
Supplies and other expenses	357,535	318,513
Amortization of licence	38,568	38,568
Amortization of equipment	34,377	14,350
	<u>2,330,530</u>	<u>2,243,790</u>
SURPLUS (DEFICIT) FOR THE YEAR	<u>\$ 49,293</u>	<u>\$ (26,846)</u>