

THE MICs GROUP OF HEALTH SERVICES
FINANCIAL STATEMENT
TO MARCH 31, 2010

THE MICs GROUP OF HEALTH SERVICES

INDEX TO FINANCIAL STATEMENT
for the year ended March 31, 2010

STATEMENT

AUDITOR'S REPORT

BALANCE SHEET

"1"

STATEMENT OF REVENUE AND EXPENSE

"2"

STATEMENT OF CHANGES IN NET ASSETS (DEFICIT)

"3"

NOTES TO FINANCIAL STATEMENT

"4"

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AUDITOR'S REPORT

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

I have audited the balance sheet of The MICs Group of Health Services as at March 31, 2010 and the statements of revenue and expense and changes in net assets (deficit) for the year then ended. These financial statements are the responsibility of the Partnership's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Partnership as at March 31, 2010 and the results of its operations and the changes in its net assets for the year then ended, in accordance with Canadian generally accepted accounting principles.



Cochrane, Ontario
June 14, 2010

CHARTERED ACCOUNTANT
Licensed Public Accountant

THE MICs GROUP OF HEALTH SERVICES

BALANCE SHEET
as at March 31, 2010

	ASSETS	
	<u>2010</u>	<u>2009</u>
CURRENT		
Cash	\$ 3,257,811	2,068,363
Accounts receivable	23,197	25,239
Accrued capital contribution	-	82,621
Amounts recoverable from participating hospitals (current) (Note 3)	878,830	629,525
Prepaid expense	<u>34,166</u>	<u>236,076</u>
	4,194,004	3,041,824
CAPITAL		
Equipment and information systems (Note 4)	1,058,905	1,291,054
OTHER		
Accrued benefit liability recoverable (Note 5)	<u>296,000</u>	<u>264,000</u>
	\$ <u>5,548,909</u>	<u>4,596,878</u>

LIABILITIES, DEFERRED CONTRIBUTIONS and NET ASSETS (DEFICIT)

CURRENT LIABILITIES

Accounts payable and accrued liabilities (Note 3)	\$ 3,805,551	3,142,796
Due to participating hospitals (Note 3)	<u>1,067,645</u>	<u>606,925</u>
	4,873,196	3,749,721
ACCRUED BENEFIT LIABILITY		
Employee future benefits (Note 5)	296,000	264,000
DEFERRED CONTRIBUTIONS (Note 6)	407,575	614,203
NET ASSETS (DEFICIT) – Unrestricted	<u>(27,862)</u>	<u>(31,046)</u>
	\$ <u>5,548,909</u>	<u>4,596,878</u>

APPROVED ON BEHALF OF THE BOARD:

See accompanying notes.

THE MICs GROUP OF HEALTH SERVICES

STATEMENT OF REVENUE AND EXPENSE

for the year ended March 31, 2010

	<u>2010</u>	<u>2009</u>
REVENUE		
Contributions to shared costs and recoveries of direct charges from participating hospitals (Note 3)	\$ 22,602,573	22,133,034
Other		
Amortization of Deferred Capital Contributions	206,753	87,552
Interest	6,957	39,449
Diabetes program	144,666	146,466
Management and administration services - participating hospitals	95,002	85,000
Other recoveries	10,941	29,339
Psychogeriatric nurse program	49,616	76,707
Lifeline program (net)	3,234	14,941
Long Term Care Physiotherapy Program	118,477	81,182
Under serviced Area Program – clinics	125,303	85,123
	<u>23,363,522</u>	<u>22,778,793</u>
EXPENSE		
Salaries and benefits		
Management, and financial administration	1,153,306	1,104,351
Education	98,884	149,352
Human resources and health	311,591	335,407
Support services	3,543,495	3,525,083
Clinical Nutrition	56,634	32,614
Nursing services	8,298,322	8,232,659
Paramedical	2,509,803	2,449,887
Physiotherapy services	377,699	403,713
Physician Clinics	117,461	105,912
Nursing Homes	4,599,628	4,637,870
Unallocated employee future benefits	193,580	239,000
Unallocated benefit adjustment	94,607	(118,228)
	21,355,010	21,097,620
Supplies, services and other		
Office recruiting, sundry	91,729	45,201
Information technology	545,014	437,958
Telephone and data communication	38,161	53,951
Travel	139,153	152,426
Professional and other fees	178,581	250,347
Education	57,241	45,485
Depreciation	517,337	241,386
Diabetes program salaries, benefits, services	144,666	146,466
Psychogeriatric Nurse	49,666	76,707
Long Term Care Physiotherapy Program	118,477	81,182
Under-serviced Area Program – clinics	125,303	83,954
Donation to T.D.H. Foundation	-	50,000
	<u>23,360,338</u>	<u>22,762,683</u>
SURPLUS FOR THE YEAR	\$ <u>3,184</u>	<u>16,110</u>

See accompanying notes.

STATEMENT "3"

THE MICs GROUP OF HEALTH SERVICES

STATEMENT OF CHANGES IN NET ASSETS (DEFICIT)

for the year ended March 31, 2010

	-----2010-----				
	<u>Bingham Memorial Hospital</u>	<u>Anson General Hospital</u>	<u>Lady Minto Hospital</u>	<u>Total</u>	<u>2009 Total</u>
Balance beginning of year	\$ (8,072)	(11,487)	(11,487)	(31,046)	(47,156)
Surplus for year	<u>828</u>	<u>1,178</u>	<u>1,178</u>	<u>3,184</u>	<u>16,110</u>
Balance end of year	\$ <u>(7,244)</u>	<u>(10,309)</u>	<u>(10,309)</u>	<u>(27,862)</u>	<u>(31,046)</u>

See accompanying notes.

THE MICs GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENT
for the year ended March 31, 2010

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

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

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.

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, 2010**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 \$3,805,551 (2009 - \$3,142,796) 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 recoverable from participating hospitals (current) represent the corresponding amounts to be recovered from the participating hospitals, including those amounts for respective share of MICs costs.

Amounts due to participating hospitals represents 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.

	2010	2009
Amounts recoverable from participating hospitals (current)		
Bingham Memorial Hospital	\$ 263,565	629,525
Lady Minto Hospital	<u>615,265</u>	<u>-</u>
	<u>878,830</u>	<u>629,525</u>
Amounts due to participating hospitals (current)		
Lady Minto Hospital	\$ -	15,445
Anson General Hospital	<u>1,067,645</u>	<u>591,480</u>
	\$ <u>1,067,645</u>	<u>606,925</u>

Balances due to/from participating hospitals bear no interest.

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

	2010	2009
Anson General Hospital	\$ 9,019,220	8,909,224
Bingham Memorial Hospital	4,735,295	4,595,500
Lady Minto Hospital	<u>8,848,058</u>	<u>8,628,310</u>
	\$ <u>22,602,573</u>	<u>22,133,034</u>

THE MICs GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENT

for the year ended March 31, 2010

4. CAPITAL ASSETS

	<u>2010</u>			2009
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Telephone system	\$ 531,899	457,101	74,798	-
Information systems network				
Hardware, software, office and sundry equipment	2,134,410	1,150,303	984,107	848,460
Information system implementation in progress	-	-	-	<u>442,594</u>
	<u>\$ 2,666,309</u>	<u>1,607,404</u>	<u>1,058,905</u>	<u>1,291,054</u>

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

During the year ended March 31, 2010, the partnership acquired capital assets costing \$279,257(2009 - \$217,901). This was financed through advances from participating hospitals, or included in Accounts Payable and Accrued Liabilities. Financing for 2008/09 of capital assets acquired included \$123,675 of related capital contributions received and accrued for the 2008/09 fiscal year.

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 licenses, contribution to hardware and implementation to March 31, 2010 was \$1,210,243. 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 hospitals' 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, 2010

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 June 10, 2010 for the fiscal year ending March 31, 2010. Prior year amounts are determined by extrapolating figures from the last valuation (May 24, 2007 for the fiscal year ending March 31, 2007) along with particular estimates.

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:

	2010	2009
Anson General Hospital	\$ 918,600	856,700
Bingham Memorial Hospital	469,100	446,400
Lady Minto Hospital	<u>1,064,200</u>	<u>1,010,900</u>
	\$ <u>2,451,900</u>	<u>2,314,000</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 liability is amortized over the remaining estimated service period of active employees (11 years). Actuarial gain determined in 2010 valuation for employees whose costs are shared on the pre-determined formula was \$18,700.

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, 2010 is determined as follows:

	2010	2009
Balance at beginning of year	\$ 264,000	235,800
Additional benefit expense	<u>32,000</u>	<u>28,200</u>
Balance of accrued benefit liability at end of year	\$ <u>296,000</u>	<u>264,000</u>

THE MICs GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENT
for the year ended March 31, 2010

5. EMPLOYEE FUTURE BENEFITS (continued)

The measurement date used to determine the accrued benefit obligation is March 31, 2010.

The accrued benefit liability is reconciled with the accrued benefit obligation is as follows:

	2010	2009
Accrued benefit obligation at end of year as determined by actuarial valuation	\$ 269,200	255,900
Add: Unamortized amounts at end of year Actuarial experience gain	<u>26,800</u>	<u>8,100</u>
Accrued employee benefit liability at end of year	\$ <u>296,000</u>	<u>264,000</u>

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

	2010	2009
Discount Rate	4.75% per annum	4.75 % per annum
Dental benefits cost escalation	4.0 % per annum	4.0 % per annum
Medical benefits cost escalation extended health care	8.0 % decreasing linearly each year to a rate of 4.5% per annum after 6 years	8.90% decreasing 0.55 % per annum to reach an ultimate rate of 4.5 % per annum

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:

	%	2010	2009
Anson General Hospital	37	\$ 109,520	97,680
Bingham Memorial Hospital	26	76,960	68,640
Lady Minto Hospital	<u>37</u>	<u>109,520</u>	<u>97,680</u>
	100	\$ <u>296,000</u>	<u>264,000</u>

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

THE MICs GROUP OF HEALTH SERVICES

NOTES TO FINANCIAL STATEMENT
for the year ended March 31, 2010

6. DEFERRED CONTRIBUTIONS

CAPITAL - \$407,575

Deferred capital contributions related to capital assets represent the unamortized amounts of contributions receivable or received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2010	2009
FedNor IT System	\$ 685,212	685,087
Northern Ontario Heritage Fund	200,000	200,000
Less amounts amortized to revenue	<u>(477,637)</u>	<u>(270,884)</u>
Balance, end of year	\$ <u>407,575</u>	<u>614,203</u>

7. DIABETES PROGRAM

The Partnership operates the diabetes program under agreement with the Northern Diabetes Health Network Corporation. Funding is limited to a budgeted ceiling amount.

8. 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 \$1,473,281(2009 - \$1,207,952). These amounts are included in employee benefits expense.

9. 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.

10. 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, 2010

11. 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.

12. 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 2009/10 year, the Group paid \$226,092 in total for such fees (2008/09 \$202,246). 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.