

NIPIGON DISTRICT MEMORIAL HOSPITAL

FINANCIAL STATEMENTS

MARCH 31, 2013

NIPIGON DISTRICT MEMORIAL HOSPITAL

FINANCIAL STATEMENTS

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of Nipigon District Memorial Hospital [the "Hospital"] are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. The preparation of the financial statements necessarily involves management's judgment and estimates of the expected outcomes of current events and transactions with appropriate consideration to materiality.

Nipigon District Memorial Hospital maintains systems of internal accounting and financial controls. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable, accurate, and that assets are properly accounted for and safeguarded.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Operations Committee [the "Committee"]. The Committee meets with management and the external auditors to review any significant accounting and auditing matters, to discuss the results of audit examinations, and to review the financial statements and the external independent auditor's report. The Committee reports its findings to the Board for consideration when approving the financial statements.

The financial statements have been audited by Grant Thornton LLP, the external auditors, in accordance with Canadian generally accepted auditing standards.

A handwritten signature in black ink, appearing to read "Carl White".

Carl White
Chief Executive Office

A handwritten signature in black ink, appearing to read "Dan Hill".

Dan Hill
Chief Financial Officer

NIPIGON DISTRICT MEMORIAL HOSPITAL

STATEMENT OF FINANCIAL POSITION

As at	March 31 2013 \$	March 31 2012 \$	April 1 2011 \$
			<i>[Restated - note 2]</i>
ASSETS			
Current			
Cash	1,060,313	721,210	781,726
Term deposits [note 4]	364,006	111,363	109,358
Accounts receivable [note 5]	199,450	285,752	260,020
Inventory [note 6]	92,790	84,016	89,916
Prepaid expenses	211,284	91,038	149,635
	1,927,843	1,293,379	1,390,655
Restricted cash	117,930	115,005	112,401
Restricted term deposit [note 4]	-	345,634	338,754
Capital assets, net [note 7]	9,433,643	8,928,277	8,952,946
	11,479,416	10,682,295	10,794,756
LIABILITIES			
Current			
Short-term borrowings [note 8]	1,004,721	-	-
Accounts payable and accrued liabilities [note 9]	1,170,945	948,309	854,290
Deferred operating contributions [note 10]	12,138	12,138	11,662
	2,187,804	960,447	865,952
Long-term			
Deferred capital contributions [note 11]	6,738,883	7,097,368	7,248,712
Employee future benefits [note 12]	402,100	408,700	370,300
	7,140,983	7,506,068	7,619,012
NET ASSETS (DEBT)			
Investment in capital assets [note 13(a)]	1,690,039	1,830,909	1,704,234
Internally restricted	38,032	-	-
Externally restricted	117,930	460,639	451,155
Unrestricted	304,628	(75,768)	154,403
	2,150,629	2,215,780	2,309,792
	11,479,416	10,682,295	10,794,756
Commitments [note 14], Contingent liabilities [note 15]			

Approved on behalf of the Board of Directors:

Director 

Director 

NIPIGON DISTRICT MEMORIAL HOSPITAL

STATEMENT OF OPERATIONS

Year ended March 31

	2013 \$	2012 \$
		[Restated - note 2]
REVENUE		
Ministry of Health and Long-Term Care and North West Local Health Integration Network [note 16]	6,281,013	6,377,634
Patient services	233,100	237,914
Preferred accommodation and co-payments	538,089	527,154
Other revenue [note 17]	475,217	469,703
Beardmore Regional Health Centre [schedule 1]	257,846	264,414
Diabetes Education Program [schedule 2]	10,642	51,443
Fundraising [schedule 3]	18,862	21,931
Handi-Transit Program [schedule 4]	-	11,390
Municipal taxes	2,775	2,775
	7,817,544	7,964,358
EXPENSES		
Salaries and wages	4,494,163	4,424,840
Medical staff remuneration	191,864	196,843
Employee benefits	1,057,274	1,144,614
Supplies and expenses	1,393,131	1,441,078
Medical and surgical supplies	83,938	93,909
Drugs and medical gases	98,365	116,638
Provision of bad debts	4,566	2,800
Amortization of major equipment and information systems	221,137	240,503
Beardmore Regional Health Care [schedule 1]	258,882	264,414
Diabetes Education Program [schedule 2]	10,642	51,443
Fundraising [schedule 3]	16,922	18,252
Handi-Transit Program [schedule 4]	-	9,531
Municipal taxes	2,775	2,775
	7,833,659	8,007,640
SHORTFALL OF REVENUE OVER EXPENSES BEFORE THE FOLLOWING	(16,115)	(43,282)
Amortization of land improvements, buildings and building service equipment	(389,914)	(384,996)
Amortization of deferred capital contributions	340,878	334,266
SHORTFALL OF REVENUE OVER EXPENSES	(65,151)	(94,012)

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

NIPIGON DISTRICT MEMORIAL HOSPITAL

STATEMENT OF CHANGES IN NET ASSETS (DEBT)

Year ended March 31

	\$	\$	\$	\$	2013 \$
	Investment in capital assets	Externally Restricted	Internally Restricted	Unrestricted	Total
Balance at beginning of year	1,830,909	460,639		(75,768)	2,215,780
Excess (shortfall) of revenue over expenses	(230,447)	-	-	165,296	(65,151)
Net change in externally restricted funds	-	(342,709)	-	342,709	-
Net change in internally restricted funds	-	-	38,032	(38,032)	-
Net change in investment in capital assets [note 13 (b)]	89,577	-		(89,577)	-
BALANCE AT END OF YEAR	1,690,039	117,930	38,032	304,628	2,150,629

	\$	\$	\$	2012 \$
	Investment in capital assets	Restricted	Unrestricted	Total
Balance at beginning of year	1,704,234	451,155	154,403	2,309,792
Excess (shortfall) of revenue over expenses	(239,719)	-	145,707	(94,012)
Net change in restricted funds	-	9,484	(9,484)	-
Net change in investment in capital assets [note 13 (b)]	366,394	-	(366,394)	-
BALANCE AT END OF YEAR	1,830,909	460,639	(75,768)	2,215,780

[Restated
- note 2]

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

NIPIGON DISTRICT MEMORIAL HOSPITAL

STATEMENT OF CASH FLOWS

Year ended March 31

	2013 \$	2012 \$
		[Restated - note 2]
OPERATING ACTIVITIES		
Shortfall of revenue over expenses	(65,151)	(94,012)
Add charges (deduct credits) to excess of revenue over expenses not involving a current payment (receipt) of cash		
Amortization of capital assets and deferred charges	615,876	630,884
Amortization of deferred capital contributions	(385,355)	(390,136)
Gain on disposal of capital assets	(74)	(1,029)
Employee future benefits	(6,600)	38,400
Changes in non-cash operational balances [note 18]	179,918	133,260
Cash provided by operating activities	338,614	317,367
CAPITAL ACTIVITIES		
Purchase of capital assets	(1,121,242)	(606,215)
Proceeds from sale of capital assets	74	1,029
Cash used in capital activities	(1,121,168)	(605,186)
INVESTING ACTIVITY		
Decrease (increase) in long-term deposit and accrued interest	345,634	(6,880)
Cash provided by (used in) investing activity	345,634	(6,880)
FINANCING ACTIVITIES		
Deferred capital contributions received		
Ontario Ministry of Health and Long-Term Care	-	206,272
Private and other donations	26,870	32,520
Short-term borrowings	1,004,721	-
Cash provided by financing activities	1,031,591	238,792
INCREASE (DECREASE) IN CASH	594,671	(55,907)
Cash at beginning of year	947,578	1,003,485
CASH AT END OF YEAR	1,542,249	947,578
Cash consists of:		
Cash and term deposits	1,424,319	832,573
Restricted cash	117,930	115,005
	1,542,249	947,578

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

NIPIGON DISTRICT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

General

Nipigon District Memorial Hospital (the "Hospital") was incorporated under the Corporations Act in January, 1956. The Hospital is principally involved in providing health care services to the Nipigon-Red Rock region of Northwestern Ontario. The Hospital is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the Hospital have been prepared by management 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 Standards Board ("PSAB for Government NPOs").

Cash

Cash includes cash on hand, other short-term highly liquid investments with original maturities of 3 months or less.

Contributed services

Volunteers contribute numerous hours to assist the Hospital in carrying out certain charitable aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in these financial statements.

Revenue recognition

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

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC"), and the North West Local Health Integration Network ("LHIN"). Operating grants are recorded as revenue in the period to which they relate. Grants approved, but not received at the end of an accounting period, are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the MOHLTC and the LHIN with respect to the year ended March 31, 2013.

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

NIPIGON DISTRICT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

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

Revenue from patient services is recognized when the services are provided.

Restricted contributions for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate of the related capital assets.

Amortization of buildings is not funded by the LHIN and accordingly the amortization of buildings has been reflected as an undernoted item in the statement of operations with the corresponding realization of revenue for deferred contributions.

Externally restricted investment income is accounted for as a liability until the restrictions imposed on the income have been met by the Hospital. As these assets become unrestricted they may be used for such purposes that the Board approves including current operations and capital purchases. Unrestricted investment income is recognized as revenue when earned.

Financial instruments

The Hospital classifies its financial instruments as either fair value or amortized cost. The Hospital's accounting policy for each category is as follows:

i) Fair Value

Financial instruments are initially recognized at cost subsequently carried at fair value. 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. Changes in fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met. 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 is removed from net assets (debt) and recognized in the statement of operations.

NIPIGON DISTRICT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

ii) Amortized Cost

This category includes cash, accounts receivable, investments, accounts payable and accrued liabilities, and short-term borrowings. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on the financial assets. Transaction costs related to the financial instruments in amortized cost category are added to the carrying value of the instrument. Write-downs on financial assets in the amortized cost category are recognized when the amount of the 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 write-down being recognized in the statement of operations.

Inventory

Inventory of general, medical and surgical supplies is valued at the lower of average cost and replacement value, whereas drugs and medical gases are carried at cost on a first-in, first-out basis.

Capital assets and amortization

Purchased capital assets are valued at cost and contributed assets are valued at their fair market value at the time of contribution. The cost of major replacements and improvements to capital assets are capitalized and the cost of maintenance and repairs are expensed when incurred.

The amortization of the capital assets is recorded annually with a corresponding reduction in investment in capital assets. All assets are amortized over their expected useful lives using the straight-line basis, at the following annual rates:

Buildings	20 to 40 years
Building service equipment	10 to 20 years
Computer software	3 years
Major equipment	5 to 20 years
Land improvements	10 to 20 years

Employee future benefits

The Hospital provides extended health care, dental and life insurance benefits to substantially all employees and accrues its obligations under employee benefit plans and the related costs. The cost of retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service from management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

NIPIGON DISTRICT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

The cost of post-employment benefits future benefits are actuarially determined using management's best estimate of 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. Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment

The Hospital is an employer member of the Health Care of Ontario Pension, which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Hospital records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

Compensated absences

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

Management estimates

The preparation of financial statements in conformity with PSAB for Government NPOs requires management to make estimate assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates. Areas of key estimation include determination of allowance for doubtful accounts and actuarial estimation of post-employment benefits and compensated absences.

2. FIRST-TIME ADOPTION OF PUBLIC SECTOR ACCOUNTING STANDARDS

The Public Sector Accounting Board (PSAB) issued new standards for government (public sector) not-for-profit organizations. For the years beginning on or after January 1, 2012, government NPO's have a choice of:

1. Public sector accounting standards including PS 4200-4270 for government not-for-profit organizations; or
2. Public sector accounting standards.

NIPIGON DISTRICT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

The Hospital has chosen to follow Public Sector Accounting Standards including PS 4200-4270 for government not-for-profit organizations.

Effective April 1, 2012, the Hospital adopted the requirements of the new accounting framework, Canadian Public Sector Accounting Standards for Not-for-Profit Organizations (PSAB for Government NPOs). These are the Hospital's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time Adoption by Government Organizations have been applied. Section 2125 requires retroactive application of the accounting standards with certain elective exceptions and mandatory exceptions. The accounting policies set out in the Summary of Significant Accounting Policies have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening PSAB for Government NPOs balance sheet at the date of transition of April 1, 2011 with the exception of PS 3450 – Financial Instruments, which has been applied with an effective date of April 1, 2012.

The Hospital issued financial statements for the year ended March 31, 2012 using generally accepted accounting principles prescribed by the CICA Handbook – Accounting Part V – Pre-changeover Accounting Standards. The adoption of PSAB for Government NPOs resulted in adjustments to the previously reported assets, liabilities, net assets (debt), shortfall of revenue over expenses and cash flows of the Hospital. An explanation of how the transition from pre-changeover Canadian GAAP to PSAB for Government NPOs has affected the Hospital's financial position, operations, changes in net assets (debt) and cash flows is set out in the following notes and tables.

The following exemptions and exceptions were used at the date of transition to Canadian accounting standards for not-for-profit organizations:

Actuarial Gains and Losses

Pre-changeover GAAP allowed the Hospital to only recognize actuarial gains and losses that exceeded certain prescribed amounts ("the corridor approach"). PSAB for Government NPOs requires the amortization of actuarial gains and losses post-employment benefit obligations and compensated absences to be amortized over the estimated average remaining service life of employees. Retroactive application of this approach would require the Hospital to split the cumulative actuarial gains and losses from the inception of the plan until the date of transition to PSAB for Government NPOs into a recognized portion and an unrecognized portion. The Hospital has elected to recognize all cumulative actuarial gains and losses as the date of transition to PSAB for Government NPOs directly in net assets (debt). Actuarial gains and losses subsequent to the date of transition to PSAB for Government NPOs are accounted for in accordance with PS-3250-Retirement Benefits.

NIPIGON DISTRICT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

Estimates

The estimates previously made by the Hospital under pre-changeover Canadian GAAP were not revised for the application of PSAB for Government NPOs except where necessary to reflect any difference in the accounting policy or where there was objective evidence that those estimates were in error. As a result, the Hospital has not used hindsight to revise estimates.

Reconciliation of net assets (debt) and shortfall of revenue over expenses

In preparing these financial statements, management has amended certain accounting policies previously applied in the pre-changeover Canadian GAAP financial statements to comply with PSAB for Government NPOs. The comparative figures for March 31, 2012 were restated to reflect these adjustments. The following reconciliations and explanatory notes provide a description of the effect of the transition from the pre-changeover Canadian GAAP to PSAB for Government NPOs on net assets (debt) and excess (shortfall) of revenues over expenses:

Statement of Financial Position as at April 1, 2011 – Transition date

Transitional adjustments:

	Pre-Changeover Canadian GAAP \$	Adj. (i, ii) \$	PSAB for Government NPOs \$
Liabilities			
Employee Future Benefits	539,500	(169,200)	370,300
Net Assets (Debt)	2,140,592	169,200	2,309,792

Statement of Financial Position for the year ended March 31, 2012

Transitional adjustments:

	Pre-Changeover Canadian GAAP \$	Adj. (i, ii) \$	PSAB for Government NPOs \$
Liabilities			
Employee Future Benefits	536,500	(127,800)	408,700
Net Assets (Debt)	2,087,980	127,800	2,215,780

NIPIGON DISTRICT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

Statement of Operations for the year ended March 31, 2012

Transitional adjustments:

	Pre-Changeover Canadian GAAP \$	Adj. (i, ii) \$	PSAB for Government NPOs \$
Expenses			
Employee benefits	1,103,214	41,400	1,144,614
<hr/>			
Shortfall of revenues over expenses	(52,612)	(41,400)	(94,012)

Statement of cash flows for the year ended March 31, 2012

The transition to PSAB for Government NPOs had no impact on total operating or financing activities on the statement of cash flows. The change in deficiency of revenue over expenses for the year ended March 31, 2012 has been offset by adjustments to operating activities. The changes to PSAB for Government NPOs resulted in the reclassification of cash receipts and outflows relating to the acquisition of capital assets from investing activities to capital activities. The capital section of the statement of cash flows did not exist prior to the transition to PSAB for Government NPOs.

Explanation for Adjustments to PSAB for Government NPOs

i) Amortization of Actuarial Gains/Losses

First-time adoption of Public Sector Accounting Standards, Optional exemptions, the Hospital has elected to recognize actuarial gains and losses at the date of transition to PSAB for Government NPOs directly in net assets (debt). As a result, the Hospital has recognized a decreased liability and a charge to net assets (debt) as described in the tables above.

ii) Discount rate used to calculate Employee Future Benefits

PSAB for Government NPOs requires these liabilities to be calculated with a discount rate that is equal to either the Hospital's borrowing rate to be equal to the yield on high quality corporate bonds. The Hospital has chosen to discount rate suggested by its actuary for small hospitals. The change in interest rate resulted in changes to the related liabilities and charges to net income as described in the tables above.

NIPIGON DISTRICT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

3. CHANGE IN ACCOUNTING POLICY

On April 1, 2012, the Hospital adopted Public Accounting Standards PS 1201 – Financial Statement Presentation and PS 3450 – Financial Instruments. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments.

In accordance with the provisions of this new standard, there has been no significant impact on the opening net assets (debt) as at April 1, 2011 or the statement of operations, or statement of cashflows for the year ended March 31, 2012.

The statement of re-measurement gain/losses has not been included in the financial statements as the Hospital does not have any financial instruments at fair value or foreign currency transactions.

4. INVESTMENTS

The term deposits consist of guaranteed investment certificates in the amount \$112,758 [2012 - \$110,704] plus accrued interest of \$573 [2012 - \$659] and \$250,000 [2012 - \$344,284] plus accrued interest of \$675 [2012 - \$1,350]. The term deposits carry interest rates of 1.3% and 1.7% and mature in November 2014 and August 2014 respectively.

5. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2013	2012
	\$	\$
Ontario Ministry of Health and Long-Term Care / North West Local Health Integration Network	14,085	41,941
Other non-patient accounts receivable	86,517	153,768
Patient accounts receivable	88,856	74,267
Provincial Insurance Plan	21,992	27,776
	211,450	297,752
Less allowance for doubtful accounts	12,000	12,000
	199,450	285,752

NIPIGON DISTRICT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

6. INVENTORY

	2013 \$	2012 \$
Pharmacy inventory	32,480	34,876
Supplies inventory	60,310	49,140
	92,790	84,016

7. CAPITAL ASSETS

	Cost \$	Accumulated Amortization \$	2013 Net \$
Land	141,832	-	141,832
Land improvements	790,282	680,837	109,445
Buildings and building service equipment	14,957,940	6,521,520	8,436,420
Major equipment and computer systems	4,118,520	3,372,574	745,946
	20,008,574	10,574,931	9,433,643

	Cost \$	Accumulated Amortization \$	2012 Net \$
Land	141,832	-	141,832
Land improvements	790,282	652,339	137,943
Buildings and building service equipment	13,941,503	6,164,173	7,777,330
Major equipment and computer systems	4,013,715	3,142,543	871,172
	18,887,332	9,959,055	8,928,277

Included in capital assets for 2013 is buildings and building service equipment costs of \$988,257 [2012 -\$295,946] which have not being amortized. These capitalized costs relate to the energy retrofit project that began in early 2011 and is in progress at year-end. These costs will be amortized once this project is completed and available for use.

NIPIGON DISTRICT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

8. SHORT-TERM BORROWINGS

The Hospital has a \$1,004,721 construction facility outstanding at March 31, 2013 to finance the energy retrofit project that was in progress at year-end. The short-term debt outstanding at year-end is owed to a major financial institution and bears interest at that bank's prime minus 0.5% per annum. Interest payments are being made monthly until the energy retrofit project is complete at which time the short-term credit facility will be rolled into a long-term loan. The construction facility is unsecured.

The Hospital has available an operating loan of \$300,000 of which \$Nil [2012 - \$Nil] was borrowed at year-end. Interest on the line of credit is calculated at Royal Bank Prime [3% at year-end].

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable consist of the following:

	2013	2012
	\$	\$
Accounts payable and accrued liabilities	415,950	298,302
Accrued salaries and wages	627,860	452,922
Ontario Ministry of Health and Long-Term Care / North West Local Health Integration Network	21	115,445
Government remittances payable	127,114	81,640
	1,170,945	948,309

10. DEFERRED OPERATING CONTRIBUTIONS

Deferred operating contributions consist of the following:

	2013	2012
	\$	\$
Balance, beginning of year	12,138	11,662
Amount received related to future years	-	476
	12,138	12,138

NIPIGON DISTRICT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

11. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent current and prior fiscal years' funding expended for the purchase of capital assets. These capital contributions are realized as the related capital assets are amortized.

	2013	2012
	\$	\$
Balance, beginning of year	7,097,368	7,248,712
Receipts	26,870	238,792
Amortization	(385,355)	(390,136)
	<u>6,738,883</u>	<u>7,097,368</u>
Represented by		
Unamortized portion	6,222,753	6,598,518
Unexpended portion	516,130	498,850
	<u>6,738,883</u>	<u>7,097,368</u>

Included in deferred capital contributions is a restricted deferred capital contribution in the amount of \$117,930 [2012 - \$452,538] plus accrued investment income of \$Nil [2012 - \$8,101]. Deferred capital contribution will remain unamortized until the contribution becomes unrestricted.

12. EMPLOYEE FUTURE BENEFITS

The Hospital provides extended health care, dental and life insurance benefits to substantially all full-time employees. Under the terms of employee contracts, some employee groups, who elect to retire early, are entitled to continue to receive these health and dental benefits from the date of early retirement until they reach the age of 65. The Hospital is required to fund either 50% or 75% of the costs of these post-employment benefits on behalf of the retired employee groups.

At March 31, 2013, the Hospital's total accrued benefit obligation related to post-employment benefit plans (other than pension) is \$402,100 [2012 - \$408,700 restated]. The most recent actuarial estimate was provided as at April 1, 2012. The significant actuarial assumptions adopted in estimating the Hospital's accrued benefit obligation are as follows:

Discount rate	3.5%
Dental benefits cost escalation	4.0%
Medical benefits cost escalation – extended health care	8.0%

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NOTES TO FINANCIAL STATEMENTS

March 31, 2013

Included in employee benefits on the statement of operations is an amount of (\$6,600) [2012 – \$38,400 restated] regarding employee future benefits. This amount is comprised of:

	2013	2012
	\$	\$
Additional benefit expense	16,900	79,000
Estimated payments made by the Hospital during the year	(23,500)	(40,600)
	<u>(6,600)</u>	<u>38,400</u>

13. INVESTMENT IN CAPITAL ASSETS

(a) Investment in capital assets is calculated as follows:

	2013	2012
	\$	\$
Capital assets at net book value	9,433,643	8,928,277
Amounts financed by		
Deferred capital contributions	(6,738,883)	(7,097,368)
Short-term borrowings	(1,004,721)	-
	<u>1,690,039</u>	<u>1,830,909</u>

(b) Change in net assets invested in capital assets is calculated as follows:

	2013	2012
	\$	\$
Excess (shortfall) of revenue over expenses		
Amortization of deferred capital contributions	385,355	390,136
Amortization of capital assets	(615,876)	(630,884)
Gain on disposal of capital assets	74	1,029
	<u>(230,447)</u>	<u>(239,719)</u>
Net change in capital assets		
Purchase of capital assets	1,121,242	606,215
Deferred capital contributions applied	(26,870)	(238,792)
Proceeds from short-term borrowings	(1,004,721)	-
Proceeds from sale of capital assets	(74)	(1,029)
	<u>89,577</u>	<u>366,394</u>
Change in investment in capital assets	<u>(140,870)</u>	<u>126,675</u>

NIPIGON DISTRICT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

14. COMMITMENTS

Under the terms of equipment and vehicle operating leases, the Hospital is committed to the following lease payments:

2014	\$	10,489
2015	\$	7,474
2016	\$	6,015
2017	\$	1,998
2018	\$	1,498

The lease expiry dates range from September 2013 to October 2017.

15. CONTINGENT LIABILITIES

Insurance

A group of hospitals, including Nipigon District Memorial Hospital, have formed the Healthcare Insurance Reciprocal of Canada (HIROC). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members, and these losses could be material. No reassessments have been made to March 31, 2013.

Employee fringe benefits

The Hospital, together with five other regional hospitals, has entered into a self insured employee benefit plan for semi-private, dental and extended health care benefits. Under the terms of the plan, the Hospital will pay for certain employee benefit claims not exceeding \$5,000 per employee per year. Any excess claims would be insured.

16. MINISTRY OF HEALTH AND LONG-TERM CARE AND NORTH WEST LOCAL INTEGRATION NETWORKING FUNDING

Under the Health Insurance Act, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care (MOHLTC) and North West Local Health Integration Network (NW LHIN).

NIPIGON DISTRICT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

17. OTHER REVENUE

	2013	2012
	\$	\$
Amortization of deferred capital contributions for major equipment	40,510	51,513
Donations	8,738	9,085
Gain on disposal of capital assets	74	1,029
Interest	6,360	7,531
Lifeline	254	21,868
Recoveries:		
Administrative and support services	155,578	130,767
Diagnostic and therapeutic services	10,280	7,251
Food services	32,912	29,102
Meals	34,279	34,539
Patient services	2,540	4,250
Residences	12,360	8,400
Telephone	1,733	1,804
Television	12,058	10,809
Union secondment	5,726	3,762
Rentals	151,815	147,993
	<u>475,217</u>	<u>469,703</u>

18. CHANGES IN NON-CASH OPERATIONAL BALANCES

	2013	2012
	\$	\$
Accounts receivable	86,302	(25,732)
Inventory	(8,774)	5,900
Prepaid expenses	(120,246)	58,597
Accounts payable and accruals	222,636	94,019
Deferred operating contributions	-	476
	<u>179,918</u>	<u>133,260</u>

NIPIGON DISTRICT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

19. PENSION PLAN

Most of the employees of the Hospital 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. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination of death, that provide the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount require to provide a high level of assurance that benefits will be fully represented by fund assets at retirements, as provided by the Plan. On January 1, 2013 the contribution rates were 6.9% [2012 – 6.9%] up to the year's maximum pensionable earnings (YMPE) and 9.2% [2012 – 9.2%] above the YMPE. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2012 indicates the Plan is 104% funded. Contributions to the Plan made during the year by the Hospital on behalf of its employees amounted to \$353,320 [2012 - \$292,136] and are included in the statement of operations.

20. FINANCIAL INSTRUMENT RISK MANAGEMENT

The Hospital's main financial instrument risk exposure is detailed as follows:

Credit Risk

Credit risk is the risk of financial loss to the Hospital if a debtor fails to make payments of interest and principal when due. Hospital is exposed to this risk relating to its cash, investments, and accounts receivable.

Hospital holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation.

Investments consist of Guaranteed Investment Certificates ("GICs").

Accounts receivable are primarily due from OHIP, the Ministry of Health and Long-Term Care and patients. Credit risk is mitigated by the financial solvency of the provincial government and the highly diversified nature of the patient population. An allowance for doubtful patient accounts is set up based on historical experience regarding collections.

NIPIGON DISTRICT MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure risk.

Market risk

Market risk is the risk that the fair value or 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. The Hospital is not exposed to significant currency or equity risk as it does not transact materially in foreign currency or hold equity financial instruments.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure risk.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flow of financial instruments because of changes in market interest rates. Currently, there is minimal interest rate risk as the majority of investments are held at fixed rates.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure risk.

Liquidity risk

Liquidity risk is the risk that Hospital will not be able to meet all cash outflow obligations as they come due. The Hospital mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near term if unexpected cash outflows arise.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure risk.

NIPIGON DISTRICT MEMORIAL HOSPITAL**Schedule 1****BEARDMORE REGIONAL HEALTH CENTRE**

Year ended March 31

	2013	2012
	\$	\$
REVENUE		
Ministry of Health and Long-term Care	252,541	258,232
Repayable to Ministries and other agencies	-	-
Amortization of deferred capital contributions for major equipment	3,967	4,357
Other revenue and recoveries	1,338	1,825
	257,846	264,414
EXPENSES		
Salaries and employee benefits	182,653	172,349
Supplies and expenses	63,408	60,941
Medical supplies and drugs	8,854	26,767
Amortization of major equipment and information systems	3,967	4,357
	258,882	264,414
SHORTFALL OF REVENUE OVER EXPENSES	(1,036)	-

NIPIGON DISTRICT MEMORIAL HOSPITAL**Schedule 2****DIABETES EDUCATION PROGRAM**

Year ended March 31

	2013	2012
	\$	\$
REVENUE		
Ministry of Health and Long-term Care paymaster	12,795	54,476
Repayable to Ministries and other agencies	(2,467)	(3,293)
Other revenue and recoveries	314	260
	10,642	51,443
EXPENSES		
Salaries and employee benefits	9,456	41,780
Supplies and expenses	1,186	9,663
	10,642	51,443
EXCESS OF REVENUE OVER EXPENSES	-	-

NIPIGON DISTRICT MEMORIAL HOSPITAL**Schedule 3****FUNDRAISING**

Year ended March 31

	2013	2012
	\$	\$
<hr/>		
REVENUE		
Donations	18,842	21,911
Other revenue and recoveries	20	20
	<hr/> 18,862	<hr/> 21,931
<hr/>		
EXPENSES		
Salaries and employee benefits	14,758	15,164
Supplies and expenses	1,306	2,060
Amortization of major equipment and information systems	858	1,028
	<hr/> 16,922	<hr/> 18,252
EXCESS OF REVENUE OVER EXPENSES	<hr/> 1,940	<hr/> 3,679

NIPIGON DISTRICT MEMORIAL HOSPITAL**Schedule 4****HANDI-TRANSIT PROGRAM**

Year ended March 31

	2013	2012
	\$	\$
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REVENUE		
Donations	-	135
Other revenue and recoveries	-	11,255
	-	11,390
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EXPENSES		
Salaries and employee benefits	-	6,338
Supplies and expenses	-	3,193
	-	9,531
EXCESS OF REVENUE OVER EXPENSES	-	1,859