

Norfolk General Hospital

Financial Statements

March 31, 2014



Norfolk General Hospital
Index to Financial Statements
March 31, 2014

	Page
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Changes in Net Assets	3
Statement of Operations	4
Statement of Cash Flow	5
Notes to Financial Statements	6 - 11

Management's Responsibility for Financial Reporting

The financial statements of Norfolk General Hospital have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Norfolk General Hospital 's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Finance Committee. The Finance Committee is appointed by the Board and meets periodically with management and the auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Finance Committee reports to the Board of Directors prior to its approval of the financial statements. The Finance Committee also considers, for review and approval by the Board, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the directors by Millard, Rouse & Rosebrugh LLP, in accordance with generally accepted auditing standards.



Tom Thomson, CPA, CA VP of Finance



Tom White, Finance Committee Chair

June 05, 2014
Simcoe, Ontario

INDEPENDENT AUDITORS' REPORT

To the Members of Norfolk General Hospital

We have audited the accompanying financial statements of Norfolk General Hospital, which comprise the statement of financial position as at March 31, 2014 and the statements of operations, changes in net assets and cash flow 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.

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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 Norfolk General Hospital as at March 31, 2014 and the results of its operations and its cash flow for the year then ended in accordance with Canadian Public Sector Accounting Standards for Government Not-For-Profit Organizations.

Millard, Rowe & Rosebry LLP

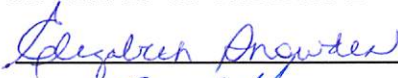

June 5, 2014
Simcoe, Ontario

Chartered Accountants
Licensed Public Accountants

Norfolk General Hospital
Statement of Financial Position
March 31, 2014

	2014	2013
ASSETS		
Current		
Accounts receivable	\$ 1,030,927	\$ 687,910
HST recoverable	220,720	177,664
Inventory (Note 3)	284,687	294,561
Prepaid expenses	162,759	154,510
Due from influenced organizations (Note 4)	126,972	100,785
	1,826,065	1,415,430
Property and equipment (Note 5)	19,318,174	20,135,221
Long term accounts receivable	135,772	135,772
	\$ 21,280,011	\$ 21,686,423
LIABILITIES AND NET ASSETS		
Current		
Bank indebtedness (Note 6)	\$ 1,445,204	\$ 1,484,659
Accounts payable and accrued liabilities	2,765,169	2,460,566
Accrued payroll and vacation pay	2,043,482	2,277,143
Deferred revenue (Note 7)	136,709	247,689
	6,390,564	6,470,057
Deferred capital donations and grants (Note 8)	16,102,146	16,632,587
Employee future benefits (Note 9)	484,000	465,100
	16,586,146	17,097,687
	22,976,710	23,567,744
Net assets	(1,696,699)	(1,881,321)
	\$ 21,280,011	\$ 21,686,423

ON BEHALF OF THE BOARD

 _____ Director
 _____ Director

See accompanying notes

Norfolk General Hospital
Statement of Changes in Net Assets
Year ended March 31, 2014

	2014	2013
Net assets - beginning of year	\$ (1,881,321)	\$ (449,570)
Excess (deficiency) of revenue over expenses	184,622	(1,431,751)
NET ASSETS - END OF YEAR	\$ (1,696,699)	\$ (1,881,321)

See accompanying notes



Norfolk General Hospital

Statement of Operations

Year ended March 31, 2014

	2014	2013
OPERATING REVENUE		
Ontario Ministry of Health and Long Term Care	\$ 37,489,189	\$ 36,112,638
OHIP and patient services revenue	5,256,197	5,152,589
Differential and co-payment revenue	404,413	401,713
Recoveries and other revenue	2,641,740	2,529,959
Amortization of deferred capital donations and grants	713,541	778,561
	46,505,080	44,975,460
Operating expenses		
Salaries and wages	22,890,071	23,812,643
Employee benefits	6,688,594	6,634,063
Medical staff remuneration	6,170,733	5,791,651
Medical and surgical supplies	1,853,935	1,698,335
Drugs	871,815	956,955
Other supplies and expenses (Note 10)	6,545,135	6,098,652
Amortization of operating equipment	1,177,757	1,302,374
	46,198,040	46,294,673
Excess (deficiency) of operating revenue over expenses	307,040	(1,319,213)
Other revenue (expense)		
Amortization of deferred building grants	562,130	556,563
Amortization of buildings	(679,470)	(674,891)
	(117,340)	(118,328)
Other votes and programs revenue (expense)		
Revenue	1,112,397	1,020,637
Expenses excluding amortization of equipment	(1,107,476)	(1,004,848)
Amortization of equipment	(9,999)	(9,999)
	(5,078)	5,790
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 184,622	\$ (1,431,751)

See accompanying notes

4



Norfolk General Hospital

Statement of Cash Flow Year ended March 31, 2014

	2014	2013
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ 184,622	\$ (1,431,751)
Items not affecting cash:		
Increase in employee future benefits	18,900	15,000
Amortization of deferred capital donations and grants	(1,275,671)	(1,335,123)
Amortization of buildings and equipment	1,867,226	1,987,264
	795,077	(764,610)
Changes in non-cash working capital:		
Accounts receivable	(343,017)	(166,089)
Inventory	9,874	(2,488)
Prepaid expenses	(8,249)	25,757
Due from influenced organizations	(26,187)	131,753
Accounts payable and accrued liabilities	304,603	(214,866)
Accrued payroll and vacation pay	(233,661)	107,539
Deferred revenue	(110,980)	166,774
HST payable (recoverable)	(43,057)	2,875
	(450,674)	51,255
Cash flow from (used by) operating activities	344,403	(713,355)
CAPITAL ACTIVITY		
Additions to property and equipment	(1,050,179)	(1,159,613)
FINANCING ACTIVITY		
Capital donations and grants	745,231	680,380
INCREASE (DECREASE) IN CASH	39,455	(1,192,588)
Deficiency - beginning of year	(1,484,659)	(292,071)
DEFICIENCY - END OF YEAR	\$ (1,445,204)	\$ (1,484,659)

See accompanying notes

Norfolk General Hospital

Notes to Financial Statements

Year ended March 31, 2014

1. PURPOSE OF ORGANIZATION

Norfolk General Hospital is incorporated without share capital under the Corporations Act (Ontario) and provides health care and hospital services to residents of Norfolk County and the surrounding communities.

The Hospital is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements 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 Board.

Revenue recognition

The Hospital follows the deferral method of accounting for contributions which include 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. 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 Ministry with respect to the year ended March 31, 2014.

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.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of property and equipment are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related buildings and equipment.

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

Inventory

Inventory is valued at the lower of cost or replacement value. Cost is determined using weighted average.

(continues)

Norfolk General Hospital

Notes to Financial Statements

Year ended March 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Property and equipment

Property and equipment are recorded at cost. Buildings and equipment are amortized on the straight-line basis over their estimated useful lives. Land and rental properties are not amortized and minor equipment is expensed. When an asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value.

Buildings and equipment are amortized on a straight-line basis using the following annual rates:

Land improvements	3 to 8 years
Buildings	6 to 40 years
Building service equipment	10 to 20 years
Equipment	5 to 10 years
Computer software	3 to 5 years

Employee future benefits

The Hospital offers extended health, dental and life insurance benefits to certain employee groups upon early retirement. The cost of these retirement 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.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. In determining estimates of accrued liabilities, the Hospital relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Actual results could differ from those estimates.

Contributed services and materials

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. Contributed materials are also not recognized in these financial statements.

Norfolk General Hospital
Notes to Financial Statements
Year ended March 31, 2014

3. INVENTORY

Inventory is comprised of:

	2014	2013
Supplies	\$ 186,131	\$ 188,067
Drugs	67,516	71,050
Food	31,040	35,444
	\$ 284,687	\$ 294,561

4. DUE FROM INFLUENCED ORGANIZATIONS

	2014	2013
Due from Norfolk Hospital Nursing Home	\$ 111,739	\$ 92,905
Due from Norfolk General Hospital Foundation	15,233	7,880
	\$ 126,972	\$ 100,785

The Norfolk Hospital Nursing Home purchases items such as meals, utilities, housekeeping and administrative services from Norfolk General Hospital. The total of these purchased services for the year amounted to \$1,182,816 (2013 - \$1,191,989) and is included in recoveries and other revenue on the statement of operations. In addition, the Hospital makes all payments associated with the Norfolk Hospital Nursing Home's capital and operating costs excluding net payroll costs, and then recovers all of these payments from the Nursing Home.

The Norfolk General Hospital Foundation from time to time donates funds to the Norfolk General Hospital for the purchase of capital equipment and donor specified operating expenses. During the year there were donations totaling \$472,196 (2013 - \$594,962). The Norfolk General Hospital Foundation purchases administrative services from Norfolk General Hospital. The total of these purchased services for the year amounted to \$237,178 (2013 - \$188,302) and is included in recoveries and other revenue on the statement of operations.

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Land	\$ 244,101	\$ -	\$ 244,101	\$ 244,101
Residential rental properties	219,923	-	219,923	219,923
Land improvements	501,142	246,810	254,332	275,821
Buildings	18,132,400	4,741,032	13,391,368	13,736,056
Building service equipment	1,307,124	916,909	390,215	440,903
Equipment	14,560,006	9,741,771	4,818,235	5,218,226
Computer software	148,411	148,411	-	191
	\$ 35,113,107	\$ 15,794,933	\$ 19,318,174	\$ 20,135,221

Norfolk General Hospital

Notes to Financial Statements

Year ended March 31, 2014

6. BANK INDEBTEDNESS

The Hospital has a \$2,000,000 unsecured operating line of credit. The line of credit bears interest at the prime rate minus .5%.

7. DEFERRED REVENUE

	2014	2013
Deferred revenue - beginning of year	\$ 247,689	\$ 80,915
Local Health Integration Network (LHIN)	38,900	113,442
Hospital On-Call Coverage (HOCC)	-	86,600
Rapid Assessment Zone	48,892	-
Other	1,391	7,810
Utilized in current year	(200,163)	(41,078)
Deferred revenue - end of year	\$ 136,709	\$ 247,689

8. DEFERRED CAPITAL DONATIONS AND GRANTS

Deferred capital donations and grants related to buildings and equipment represent the unspent donations and grants received for the purchase of buildings and equipment, the unamortized portion of contributed buildings and equipment and the unamortized portion of restricted contributions with which buildings and equipment were originally purchased. The amortization of capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions balance for the period are as follows:

	2014	2013
Balance - beginning of year	\$ 16,632,587	\$ 17,287,330
Add capital contributions received in the year from:		
Norfolk General Hospital Foundation	463,283	589,280
Volunteer Association	80,000	91,100
Ministry of Health and Long Term Care	201,947	-
	17,377,817	17,967,710
Less: Amortization for the year	(1,275,671)	(1,335,123)
Balance - end of year	\$ 16,102,146	\$ 16,632,587

9. EMPLOYEE FUTURE BENEFITS

The Hospital provides extended health, dental and life insurance benefits to certain employee groups upon early retirement. The Hospital recognizes these benefits as they are earned during the employee's tenure of service. The accrued benefit liability is determined by an independent actuary, the actuarial valuation study was performed April 2014 and includes the value of the liability as at March 31, 2014 and March 31, 2013.

Norfolk General Hospital

Notes to Financial Statements

Year ended March 31, 2014

10. OTHER SUPPLIES AND EXPENSES

Other supplies and expenses are comprised of:

	2014	2013
Repairs and maintenance	\$ 2,490,218	\$ 2,262,197
Small equipment	135,608	130,810
Non-medical supplies	1,712,733	1,691,705
Utilities	1,025,181	915,770
General and administration	520,297	560,696
Professional fees	392,160	272,450
Insurance	268,938	265,024
	\$ 6,545,135	\$ 6,098,652

11. CONTINGENT LIABILITIES

The nature of the Hospital's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2014, management believes the Hospital has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

12. NORFOLK GENERAL HOSPITAL FOUNDATION

Norfolk General Hospital Foundation is incorporated under the laws of Ontario and is a registered charity under the Income Tax Act. Its principal activity is to raise and accumulate funds for donation to Norfolk General Hospital. The net assets and results from operations of the Foundation are not included in the statements of the Hospital. Separate financial statements of the Foundation are available upon request.

The Hospital has designated Norfolk General Hospital Foundation to receive bequests and donations on its behalf. At March 31, 2014, the Norfolk General Hospital Foundation had an unrestricted net asset position of \$604,759 (2013 - \$283,784), a restricted net asset position of \$200,495 (2013 - \$167,055) and externally restricted endowment funds totaling \$422,132 (2013 - \$473,777).

13. PENSION BENEFITS

Substantially all of the employees of the Hospital are eligible to be members of the Hospitals of Ontario Pension Plan (H.O.O.P.P.) which is a multi-employer average pay contributory pension plan. Employer contributions made to the plan during the year amounted to \$1,984,152 (2013 - \$1,897,167). These amounts are included in staff benefits expense on the statement of operations.

There are no material past service costs. The most recent actuarial valuation of the Plan as of December 31, 2013 indicates the Plan has a 14% surplus in disclosed actuarial assets.

Norfolk General Hospital

Notes to Financial Statements

Year ended March 31, 2014

14. FINANCIAL INSTRUMENTS

Financial instruments consist of accounts receivable, due from influenced organizations, bank indebtedness, accounts payable and accrued liabilities and accrued payroll and vacation pay. These financial instruments are all short term in nature and as such, their carrying value approximates fair value.

Long term accounts receivable is a deposit for contracted laundry services, its carrying value approximates fair value.

The Hospital is subject to interest rate cash flow risk with respect to the floating rate on the operating line of credit.

The Hospital is subject to limited credit risk given the nature and diversity of accounts receivable.

15. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.