

# The Norfolk Hospital Nursing Home

Financial Statements

March 31, 2010



**Millard, Rouse & Rosebrugh LLP**  
*Chartered Accountants*

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**The Norfolk Hospital Nursing Home**

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**March 31, 2010**

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**Millard, Rouse & Rosebrugh LLP**  
*Chartered Accountants*

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## Auditors' Report

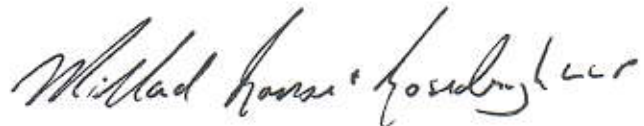
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To the Board of Directors of  
The Norfolk Hospital Nursing Home

We have audited the statement of financial position of The Norfolk Hospital Nursing Home as at March 31, 2010 and the statements of operations, changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the Nursing Home's management. 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 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Nursing Home as at March 31, 2010 and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants  
Licensed Public Accountants

Simcoe, Ontario  
May 14, 2010

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The Norfolk Hospital Nursing Home

Statement of Financial Position

As at March 31, 2010

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	2010	2009
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 748,145	\$ 810,024
Accounts receivable	129,685	271,340
Prepaid expenses	5,610	5,361
	<b>883,440</b>	<b>1,086,725</b>
<b>Land, building and equipment (note 3)</b>	<b>1,023,351</b>	<b>979,634</b>
<b>Trust funds bank - restricted</b>	<b>12,526</b>	<b>22,657</b>
	<b>\$ 1,919,317</b>	<b>\$ 2,089,016</b>
<b>Liabilities and Net Assets</b>		
<b>Current</b>		
Due to Norfolk General Hospital (note 4)	\$ 194,192	\$ 272,589
Accounts payable and accrued liabilities	92,382	119,813
Current portion of mortgage payable (note 5)	24,915	23,035
Current portion of deferred capital grants and donations (note 6)	28,391	15,698
	<b>339,880</b>	<b>431,135</b>
<b>Trust funds</b>	<b>12,526</b>	<b>22,657</b>
<b>Mortgage payable (net of current portion) (note 5)</b>	<b>679,668</b>	<b>704,583</b>
<b>Deferred capital grants and donations (net of current portion) (note 6)</b>	<b>45,743</b>	<b>60,658</b>
	<b>1,077,817</b>	<b>1,219,033</b>
<b>Net assets</b>		
Internally restricted reserve for future capital expansion and replacement (note 7)	270,422	363,238
Externally restricted (note 7)	151,520	151,520
Invested in land, building and equipment	318,768	252,016
Unrestricted	100,790	103,209
	<b>841,500</b>	<b>869,983</b>
	<b>\$ 1,919,317</b>	<b>\$ 2,089,016</b>

On behalf of the Board

Director

See accompanying notes

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**The Norfolk Hospital Nursing Home**  
**Statement of Changes in Net Assets**  
**For the year ended March 31, 2010**

	Unrestricted	Invested in land, building and equipment	Externally restricted	Internally restricted for future capital expansion and replacement	Total 2010	Total 2009
<b>Net assets</b>						
- beginning of the year	\$ 103,209	\$ 252,016	\$ 151,520	\$ 363,238	\$ 869,983	\$ 965,047
Excess (deficiency) of revenue over expenses for the year	(28,483)	-	-	-	(28,483)	(95,065)
Internal restrictions (note 7)	26,064	66,752	-	(92,816)	-	-
<b>Net assets</b>						
- end of the year	\$ 100,790	\$ 318,768	\$ 151,520	\$ 270,422	\$ 841,500	\$ 869,982

See accompanying notes



# The Norfolk Hospital Nursing Home

## Statement of Operations

For the year ended March 31, 2010

	2010	2009
<b>Revenue</b>		
<b>Ministry of Health</b>		
Nursing and personal care	\$ 2,536,344	\$ 2,513,875
Program and support	224,233	218,262
Raw food	212,277	208,110
Accommodation	104,595	70,882
Structural compliance, accreditation and one-time grants	95,953	64,211
	<b>3,173,402</b>	<b>3,075,340</b>
<b>Other revenue</b>		
Resident co-payment	1,423,983	1,388,286
Recoveries and sundry revenue	8,781	26,699
Interest income	4,299	30,133
Amortized capital grant revenue	28,391	15,698
	<b>1,465,454</b>	<b>1,460,816</b>
	<b>4,638,856</b>	<b>4,536,156</b>
<b>Expenses</b>		
<b>Nursing and personal care</b>		
Salaries, wages and benefits	2,623,064	2,593,111
Supplies and other expenses	88,842	94,649
	<b>2,711,906</b>	<b>2,687,760</b>
<b>Program and support</b>		
Salaries, wages and benefits	225,771	235,428
Supplies and other expenses	19,170	6,994
	<b>244,941</b>	<b>242,422</b>
<b>Raw food</b>	<b>226,981</b>	<b>220,370</b>
<b>Accommodation</b>		
Salaries, wages and benefits	778,542	777,892
Supplies and other expenses		
Administration	57,540	83,636
Nutrition and food services	21,046	19,183
Plant operations and utilities	233,594	230,307
Housekeeping	9,388	8,757
Laundry	139,854	141,151
	<b>1,239,964</b>	<b>1,260,926</b>
<b>Financial</b>		
Interest	56,292	58,181
Amortization	187,255	161,562
	<b>243,547</b>	<b>219,743</b>
	<b>4,667,339</b>	<b>4,631,221</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>\$ (28,483)</b>	<b>\$ (95,065)</b>

See accompanying notes



**The Norfolk Hospital Nursing Home**  
**Statement of Cash Flow**  
**For the year ended March 31, 2010**

	2010	2009
<b>Cash provided by (applied to):</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses for the year	\$ (28,483)	\$ (95,065)
Items not requiring an outlay of cash:		
Amortization of building and equipment	187,255	161,562
Amortization of deferred capital grants	(28,391)	(15,698)
	<b>130,381</b>	<b>50,799</b>
Changes in non-cash working capital amounts:		
Decrease (increase) in accounts receivable	141,655	(27,364)
Increase in prepaid expenses	(249)	(326)
(Decrease) increase in amounts due to Norfolk General Hospital	(78,397)	225,402
Decrease in accounts payable and accrued liabilities	(27,431)	(923)
Decrease in deferred revenue	-	(18,828)
	<b>35,578</b>	<b>177,961</b>
	<b>165,959</b>	<b>228,760</b>
<b>Investing activities</b>		
Purchase of equipment	(230,972)	(69,613)
<b>Financing activities</b>		
Repayment of mortgages	(23,035)	(21,300)
Receipt of capital donations and grants	26,169	5,000
	<b>3,134</b>	<b>(16,300)</b>
<b>Net increase (decrease) in cash for the year</b>	<b>(61,879)</b>	<b>142,847</b>
Cash - beginning of the year	810,024	667,177
<b>Cash - end of the year</b>	<b>\$ 748,145</b>	<b>\$ 810,024</b>



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# The Norfolk Hospital Nursing Home

## Notes to the Financial Statements

For the year ended March 31, 2010

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### 1. Purpose of organization

The Norfolk Hospital Nursing Home is incorporated without share capital under the Corporations Act (Ontario) and provides health care and accommodation to residents of Norfolk County and the surrounding communities.

The Nursing Home is exempt from income taxes under the Income Tax Act.

### 2. Summary of significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The accounting principles used are acceptable for Ontario Health Care Institutions as prescribed by the Ministry of Health and Long Term Care.

#### Revenue recognition

The Nursing Home follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Nursing Home 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. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2010.

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 land, buildings 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 residents' co-insurance, preferred accommodation, and marketed services is recognized when the service is provided.

#### Land, building and equipment

Land, building and equipment are recorded at cost. Amortization of building and equipment is provided on the straight-line basis over their estimated useful lives. Land is not amortized and minor equipment is expensed. Amortization rates are as follows:

Building	2 1/2%
Furnishings and equipment	5% to 30%

**The Norfolk Hospital Nursing Home**  
**Notes to the Financial Statements**  
**For the year ended March 31, 2010**

**2. Summary of significant accounting policies - continued**

Measurement uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 Nursing Home 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 Nursing Home 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.

**3. Land, buildings and equipment**

	Cost	Accumulated amortization	2010	2009
Land	\$ 52,800	\$ -	\$ 52,800	\$ 52,800
Building	2,432,076	1,794,834	637,242	644,434
Equipment	1,037,407	704,098	333,309	282,400
	\$ 3,522,283	\$ 2,498,932	\$ 1,023,351	\$ 979,634

**4. Due to Norfolk General Hospital**

As at March 31, 2010 the Nursing Home owes the Hospital \$194,192 (2009 - \$272,589). The Norfolk Hospital Nursing Home purchases services such as meals, utilities, housekeeping and administrative services from Norfolk General Hospital at fair market value under normal trade terms. The total of these purchased services for the year amounted to \$1,128,369 (2009 - \$1,097,615). In addition, the Hospital makes all payments associated with the Nursing Home's capital and operating costs, and then recovers all of these payments from the Nursing Home.

**The Norfolk Hospital Nursing Home**  
**Notes to the Financial Statements**  
**For the year ended March 31, 2010**

**5. Mortgage payable**

	<b>2010</b>	<b>2009</b>
Canada Mortgage and Housing Corporation		
Mortgage - 8%, due June 1, 2025, repayable in blended monthly installments of \$6,623, secured by land and building.	<b>\$ 704,583</b>	<b>\$ 727,618</b>
Less - current portion	<b>(24,915)</b>	<b>(23,035)</b>
	<b>\$ 679,668</b>	<b>\$ 704,583</b>

Future principal payments are as follows:

2011	\$	24,915
2012		26,948
2013		29,147
2014		31,525
2015		34,098
Subsequent years		557,950
	<b>\$</b>	<b>704,583</b>

**6. Deferred capital grants and donations**

Deferred capital grants and donations represent the unspent capital grants and capital donations received for the purchase of equipment and the unamortized portion of contributed equipment. 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:

	<b>2010</b>	<b>2009</b>
Balance - beginning of the year	<b>\$ 76,356</b>	<b>\$ 87,054</b>
Add: contributions during the year	<b>26,169</b>	<b>5,000</b>
Less: amortization for the year	<b>(28,391)</b>	<b>(15,698)</b>
Balance - end of the year	<b>74,134</b>	<b>76,356</b>
Comprised of:		
Current	<b>28,391</b>	<b>15,698</b>
Long term	<b>45,743</b>	<b>60,658</b>
	<b>\$ 74,134</b>	<b>\$ 76,356</b>

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## The Norfolk Hospital Nursing Home

### Notes to the Financial Statements

For the year ended March 31, 2010

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#### 7. Restricted net assets

a) The Norfolk Hospital Nursing Home has internally restricted a reserve for future capital expansion and replacement. Annual contributions to the reserve are made from capital donations, interest earned on funds invested and by the excess (if any) of the amount by which the operating surplus or deficit for the year before amortization exceeds reductions in long term liabilities and capital additions. The reserve is internally restricted for capital purposes to a maximum of \$350,000 plus the total amount of structural funding received minus costs related to maintaining structural compliance.

During the year, \$92,816 (2009 - \$14,385) was transferred from the fund to unrestricted net assets according to the above formula.

b) C.M.H.C.'s contributed surplus totaling \$151,520 is forgivable, contingent upon The Norfolk Hospital Nursing Home building being used as a nursing home until the due date of the C.M.H.C. mortgage in June 2025.

c) During each year the amount invested in land, building and equipment is increased by capital additions and the principal repayment of the mortgage and reduced by amortization. The net change during the year amounted to \$66,752 (2009 - \$(70,649)) and has been internally adjusted by a transfer to unrestricted net assets.

#### 8. Pension benefits

Substantially all of the employees of the Nursing Home 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 \$160,259 (2009 - \$158,670). 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, 2008 indicated the Plan had a 3% deficit in disclosed actuarial assets.

#### 9. Financial instruments

Financial instruments consist of cash, accounts receivable, trust funds, amounts due to Norfolk General Hospital, accounts payable and accrued liabilities and mortgage payable. Excluding the mortgage payable, these financial instruments are all short term in nature and as such, their carrying value approximates fair value. The mortgage payable is at a prevailing market interest rate and as such, its carrying value approximates fair value.

#### 10. Capital management

The Nursing Home's main objective when managing capital is to ensure that there are sufficient funds available to enable the Nursing Home to carry out its operations. This objective is met by considering the availability of funds when preparing budgets, monitoring operations and cash flow, and negotiating credit facilities.

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**The Norfolk Hospital Nursing Home**  
**Notes to the Financial Statements**  
**For the year ended March 31, 2010**

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**11. Summary of expenses**

	2010	2009
Salaries and wages	\$ 2,727,586	\$ 2,705,044
Employee benefits	899,791	901,387
Food	226,981	220,370
Supplies and services	396,277	419,564
Utilities	173,157	165,113
Interest	56,292	58,181
Amortization	187,255	161,562
	<b>\$ 4,667,339</b>	<b>\$ 4,631,221</b>

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## Auditors' Report

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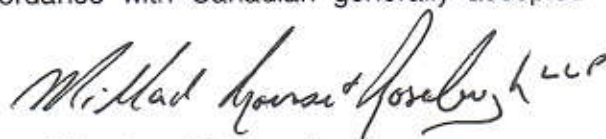
To the Board of Directors of  
The Norfolk Hospital Nursing Home

We have audited the trust fund balance sheet of The Norfolk Hospital Nursing Home as at March 31, 2010 and the trust fund statement of continuity for the year then ended. These financial statements are the responsibility of the Nursing Home's management. 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 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Nursing Home Trust Funds as at March 31, 2010 and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Simcoe, Ontario  
May 14, 2010



Chartered Accountants  
Licensed Public Accountants

**The Norfolk Hospital Nursing Home**  
**Trust Fund Balance Sheet**  
**As at March 31, 2010**

	2010	2009
<b>Assets</b>		
Cash	\$ 12,526	\$ 22,657
<b>Fund Balance</b>		
Due to residents	\$ 12,526	\$ 22,657

**The Norfolk Hospital Nursing Home**  
**Trust Fund Statement of Continuity**  
**As at March 31, 2010**

	2010	2009
<b>Fund balance - beginning of the year</b>	<b>\$ 22,657</b>	<b>\$ 19,737</b>
Receipts from residents	<b>88,332</b>	99,522
Disbursements to residents	<b>(98,463)</b>	(96,602)
<b>Fund balance - end of the year</b>	<b>\$ 12,526</b>	<b>\$ 22,657</b>



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**The Norfolk Hospital Nursing Home**  
**Notes to the Trust Fund Financial Statements**  
**As at March 31, 2010**

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**1. Summary of significant accounting policies**

Receipts from residents and disbursements to residents are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; disbursements are recognized as they are incurred and measurable as a result of a legal obligation to pay.