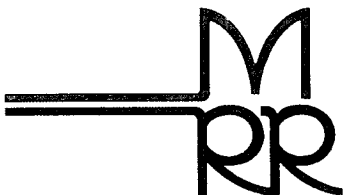


**Norfolk General Hospital**

Financial Statements

**March 31, 2010**



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

# Norfolk General Hospital

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

85 Robinson Street  
Simcoe, Ontario

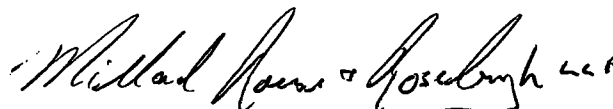
**Auditors' Report**

To the Board of Directors of Norfolk General Hospital

We have audited the statement of financial position of Norfolk General Hospital 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 Hospital'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 Hospital 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

OUR REPORTS AND CERTIFICATES ARE ISSUED ON THE UNDERSTANDING THAT UNLESS THEY ARE REPRODUCED IN THEIR ENTIRETY, ANY SUMMARIES THEREOF, EXCERPTS THEREFROM OR REFERENCES THERETO SHALL BE SUBMITTED TO US FOR OUR APPROVAL.

# Norfolk General Hospital

## Statement of Financial Position

As at March 31, 2010

|   | 2010<br>\$        | 2009<br>\$        |
|---|-------------------|-------------------|
| <b>Assets</b>   |                   |                   |
| <b>Current assets</b>   |                   |                   |
| Cash  | -                 | 582,307           |
| Accounts receivable - patients and Ministry of Health and LTC     | 467,309           | 467,210           |
| Other accounts receivable   | 123,063           | 119,735           |
| Inventory (note 3)  | 255,380           | 276,567           |
| Prepaid expenses  | 220,056           | 221,452           |
| Due from influenced organizations (note 4)                        | <u>197,478</u>    | <u>280,911</u>    |
|   | <u>1,263,286</u>  | <u>1,948,182</u>  |
| <b>Long term accounts receivable</b>                              | <u>135,772</u>    | <u>135,772</u>    |
| <b>Land, buildings and equipment (note 5)</b>                     | <u>22,988,002</u> | <u>24,066,555</u> |
|   | <u>24,387,060</u> | <u>26,150,509</u> |
| <b>Liabilities and Net Assets</b>                                 |                   |                   |
| <b>Current liabilities</b>  |                   |                   |
| Bank indebtedness (note 6)  | 77,283            | -                 |
| Loan payable  | -                 | 1,000,000         |
| Accounts payable and accrued liabilities                          | 1,765,456         | 2,281,263         |
| Accrued payroll and vacation pay                                  | 3,181,223         | 3,134,092         |
| Deferred revenue (note 7)   | 244,505           | 150,839           |
| Current portion of deferred capital donations and grants (note 8) | <u>1,555,158</u>  | <u>1,821,978</u>  |
|   | <u>6,823,625</u>  | <u>8,388,172</u>  |
| <b>Deferred capital donations and grants (note 8)</b>             | <u>16,831,969</u> | <u>17,223,497</u> |
| <b>Net assets</b>   | <u>731,466</u>    | <u>538,840</u>    |
|   | <u>24,387,060</u> | <u>26,150,509</u> |

On behalf of the Board  CA Director \_\_\_\_\_

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

# Norfolk General Hospital

## Statement of Operations

For the year ended March 31, 2010

|   | 2010<br>\$        | 2009<br>\$         |
|---|-------------------|--------------------|
| <b>Operating revenue</b>  |                   |                    |
| Ontario Ministry of Health and Long Term Care                   | 34,769,106        | 33,672,633         |
| OHIP and patient services revenue                               | 4,184,023         | 4,204,590          |
| Differential and co-payment revenue                             | 887,517           | 970,914            |
| Recoveries and other revenue                                    | 2,327,898         | 2,348,057          |
| Amortization of deferred capital donations and grants           | <u>1,244,290</u>  | <u>1,301,938</u>   |
|   | <u>43,412,834</u> | <u>42,498,132</u>  |
| <b>Operating expenses</b>                                       |                   |                    |
| Salaries and wages  | 22,054,536        | 22,477,767         |
| Employee benefits   | 6,258,155         | 6,262,638          |
| Medical staff remuneration                                      | 4,906,930         | 4,664,588          |
| Medical and surgical supplies                                   | 1,673,975         | 1,609,855          |
| Drugs   | 891,305           | 902,444            |
| Other supplies and expenses                                     | 5,822,490         | 6,191,847          |
| Amortization of operating equipment                             | <u>1,476,920</u>  | <u>1,502,242</u>   |
|   | <u>43,084,311</u> | <u>43,611,381</u>  |
| <b>Excess (deficiency) of operating income over expenses</b>    | <u>328,523</u>    | <u>(1,113,249)</u> |
| <b>Other income (expense)</b>                                   |                   |                    |
| Amortization of deferred building grants                        | 536,086           | 520,040            |
| Amortization of buildings                                       | <u>(657,893)</u>  | <u>(657,438)</u>   |
|   | <u>(121,807)</u>  | <u>(137,398)</u>   |
| <b>Other votes and programs income (expense)</b>                |                   |                    |
| Revenue   | 907,704           | 887,756            |
| Other supplies and expenses                                     | (916,300)         | (873,913)          |
| Amortization of equipment                                       | <u>(5,494)</u>    | <u>(14,125)</u>    |
|   | <u>(14,090)</u>   | <u>(282)</u>       |
| <b>Excess (deficiency) of income over expenses for the year</b> | <u>192,626</u>    | <u>(1,250,929)</u> |

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

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

|  | 2010                  | 2009                  |
|--|-----------------------|-----------------------|
|  | \$                    | \$                    |
| <b>Balance - beginning of the year</b>                   | <b>538,840</b>        | 1,789,769             |
| Excess (deficiency) of income over expenses for the year | <u><b>192,626</b></u> | <u>(1,250,929)</u>    |
| <b>Balance - end of the year</b>                         | <u><b>731,466</b></u> | <u><b>538,840</b></u> |

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

# Norfolk General Hospital

## 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 income over expenses for the year | 192,626                       | (1,250,929)                  |
| Items not involving cash:                                |                               |                              |
| Amortization of deferred capital donations and grants    | (1,780,376)                   | (1,821,978)                  |
| Amortization of buildings and equipment                  | <u>2,140,307</u>              | <u>2,173,805</u>             |
|  | 552,557                       | (899,102)                    |
| Change in non-cash operating working capital:            |                               |                              |
| (Increase) decrease in accounts receivable - MOHLTC      | (99)                          | 384,967                      |
| (Increase) decrease in other accounts receivable         | (3,328)                       | 73,499                       |
| Decrease in inventory                                    | 21,187                        | 17,150                       |
| Decrease in prepaid expenses                             | 1,396                         | 78,210                       |
| Decrease (increase) in due from influenced organizations | 83,433                        | (213,120)                    |
| (Decrease) increase in accounts payable                  | (515,807)                     | 535,525                      |
| Increase (decrease) in accrued payroll and vacation pay  | 47,131                        | (554,366)                    |
| Increase (decrease) in deferred revenue                  | <u>93,666</u>                 | <u>(19,166)</u>              |
|  | <u>280,136</u>                | <u>(596,403)</u>             |
| <b>Financing activities</b>                              |                               |                              |
| Capital donations and grants                             | 1,122,028                     | 1,178,139                    |
| (Decrease) increase in loan payable                      | <u>(1,000,000)</u>            | <u>1,000,000</u>             |
|  | <u>122,028</u>                | <u>2,178,139</u>             |
| <b>Investing activities</b>                              |                               |                              |
| Additions to buildings and equipment                     | <u>(1,061,754)</u>            | <u>(2,338,068)</u>           |
| <b>Net increase (decrease) in cash for the year</b>      | <b>(659,590)</b>              | <b>(756,332)</b>             |
| <b>Cash - beginning of the year</b>                      | <u><b>582,307</b></u>         | <u><b>1,338,639</b></u>      |
| <b>Cash (bank indebtedness) - end of the year</b>        | <u><u><b>(77,283)</b></u></u> | <u><u><b>582,307</b></u></u> |
| <b>Supplemental cash flow information:</b>               |                               |                              |
| Interest paid  | <u><u><b>8,759</b></u></u>    | <u><u><b>32,997</b></u></u>  |

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

# Norfolk General Hospital

## Notes to the Financial Statements

For the year ended March 31, 2010

### 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. Significant accounting policies

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

#### (a) 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, 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 Ontario Health Insurance Plan, preferred accommodation, and marketed services is recognized when the goods are sold or the service is provided.

#### (b) Inventory

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

#### (c) Land, buildings and equipment

Land, buildings 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 rate:

|                            |                |
|----------------------------|----------------|
| Land improvements          | 3 to 8 years   |
| Buildings                  | 6 to 40 years  |
| Building service equipment | 10 to 20 years |
| Equipment                  | 5 to 10 years  |
| Software licences          | 3 to 5 years   |

# Norfolk General Hospital

## Notes to the Financial Statements

For the year ended March 31, 2010

### 2. Significant accounting policies - continued

#### (d) 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 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.

#### (e) 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.

### 3. Inventory

| Inventory is comprised of: | 2010<br>\$     | 2009<br>\$     |
|----------------------------|----------------|----------------|
| Supplies                   | 174,189        | 177,235        |
| Drugs                      | 64,449         | 83,942         |
| Food                       | <u>16,742</u>  | <u>15,390</u>  |
|                            | <u>255,380</u> | <u>276,567</u> |

### 4. Due from influenced organizations

|  | 2010<br>\$     | 2009<br>\$     |
|--|----------------|----------------|
| Due from Norfolk Hospital Nursing Home       | 194,192        | 272,589        |
| Due from Norfolk General Hospital Foundation | <u>3,286</u>   | <u>8,322</u>   |
|  | <u>197,478</u> | <u>280,911</u> |

The Norfolk Hospital Nursing Home purchases services such as meals, utilities, housekeeping and administrative services from Norfolk General Hospital. 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 Norfolk Hospital Nursing Home's capital and operating 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 education purposes. During the year there were donations totaling \$928,033 (2009 - \$900,646). The Norfolk General Hospital Foundation purchases administrative services from Norfolk General Hospital. The total of these purchased services for the year amounted to \$215,915 (2009 - \$228,745).

# Norfolk General Hospital

## Notes to the Financial Statements

For the year ended March 31, 2010

### 5. Land, buildings and equipment

|                               | Cost<br>\$        | Accumulated<br>amortization<br>\$ | Net<br>2010<br>\$ | Net<br>2009<br>\$ |
|-------------------------------|-------------------|-----------------------------------|-------------------|-------------------|
| Land                          | 244,101           | -                                 | 244,101           | 244,101           |
| Land improvements             | 584,903           | 197,497                           | 387,406           | 427,459           |
| Buildings                     | 26,252,246        | 11,376,983                        | 14,875,263        | 15,331,823        |
| Building service equipment    | 5,444,578         | 4,718,204                         | 726,374           | 858,933           |
| Equipment                     | 25,481,757        | 19,007,615                        | 6,474,142         | 6,922,933         |
| Software licences             | <u>1,524,774</u>  | <u>1,463,981</u>                  | <u>60,793</u>     | <u>61,383</u>     |
|                               | 59,532,359        | 36,764,280                        | 22,768,079        | 23,846,632        |
| Residential rental properties | <u>219,923</u>    | <u>-</u>                          | <u>219,923</u>    | <u>219,923</u>    |
|                               | <u>59,752,282</u> | <u>36,764,280</u>                 | <u>22,988,002</u> | <u>24,066,555</u> |

### 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 .25%.

### 7. Deferred revenue

|  | 2010<br>\$       | 2009<br>\$      |
|--|------------------|-----------------|
| Deferred revenue - beginning of the year             | 150,839          | 170,005         |
| Ministry of Health and Long Term Care funds received | 122,117          | -               |
| Recruitment funding - Norfolk County                 | 62,500           | -               |
| Deferred Diabetes Education Clinic funding           | 26,550           | 20,725          |
| Utilized in current year                             | <u>(117,501)</u> | <u>(39,891)</u> |
| Deferred revenue - end of the year                   | <u>244,505</u>   | <u>150,839</u>  |

# Norfolk General Hospital

## Notes to the Financial Statements

For the year ended March 31, 2010

### 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:

|  | 2010<br>\$         | 2009<br>\$         |
|--|--------------------|--------------------|
| Balance - beginning of the year                      | 19,045,475         | 19,689,314         |
| Add capital contributions received in the year from: |                    |                    |
| Norfolk General Hospital Foundation                  | 926,948            | 895,174            |
| Volunteer Association                                | 82,800             | 91,600             |
| Ministry of Health and Long Term Care                | 112,280            | 161,365            |
| Other  | <u>-</u>           | <u>30,000</u>      |
|  | 20,167,503         | 20,867,453         |
| Less: amortization for the year                      | <u>(1,780,376)</u> | <u>(1,821,978)</u> |
| Balance - end of the year                            | <u>18,387,127</u>  | <u>19,045,475</u>  |
| Comprised of:  |                    |                    |
| Current  | 1,555,158          | 1,821,978          |
| Long term  | <u>16,831,969</u>  | <u>17,223,497</u>  |
|  | <u>18,387,127</u>  | <u>19,045,475</u>  |

### 9. Net assets invested in land, buildings and equipment

|   | 2010<br>\$        | 2009<br>\$        |
|---|-------------------|-------------------|
| (a) Net assets invested in land, buildings and equipment are calculated as follows:   |                   |                   |
| Land, buildings and equipment, net book value   | 22,988,002        | 24,066,555        |
| Amounts funded by:  |                   |                   |
| Deferred contributions  | <u>18,387,127</u> | <u>19,045,475</u> |
|   | <u>4,600,875</u>  | <u>5,021,080</u>  |
| (b) Net change in invested in land, buildings and equipment is calculated as follows: |                   |                   |
| Additions to buildings and equipment  | 1,061,754         | 2,338,068         |
| Unrestricted capital donations and grants   | (1,122,028)       | (1,178,139)       |
| Amortization of buildings and equipment   | (2,140,307)       | (2,173,805)       |
| Amortization of deferred capital donations and grants                                 | <u>1,780,376</u>  | <u>1,821,978</u>  |
|   | <u>(420,205)</u>  | <u>808,102</u>    |

# Norfolk General Hospital

## Notes to the Financial Statements

For the year ended March 31, 2010

### 10. 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, 2010, 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.

### 11. 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, 2010, the Norfolk General Hospital Foundation had an unrestricted net asset position of \$539,242, a restricted net asset position of \$238,003 and externally restricted endowment funds totaling \$397,495.

### 12. Amounts refundable to the Ministry of Health and Long Term Care

The Haldimand-Norfolk Diabetes Program had excess of income over expenses of \$6,620 (2009 - \$68,399), which is refundable to the Ministry of Health and Long Term Care.

### 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 \$1,912,831 (2009 - \$1,875,923). 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 indicates the Plan has a 3% deficit in disclosed actuarial assets.

### 14. Capital management

The Hospital's main objective when managing capital is to ensure that there are sufficient funds available to enable the Hospital 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.

### 15. 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.

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.

**Norfolk General Hospital**  
**Schedule of Revenue and Expense**  
For the year ended March 31, 2010

|   | 2010<br>\$       | 2009<br>\$       |
|---|------------------|------------------|
| <b>Haldimand-Norfolk Detoxification and Rehabilitation Services</b> |                  |                  |
| <b>Revenue</b>  |                  |                  |
| Local Health Integration Network                                    | <u>891,429</u>   | <u>871,482</u>   |
| <b>Expenses</b>   |                  |                  |
| Salaries and wages  | 617,199          | 596,203          |
| Benefit contributions   | 184,126          | 168,840          |
| Supplies and sundry   | 77,089           | 71,666           |
| Equipment   | 7,229            | 3,588            |
| Amortization  | 5,494            | 14,125           |
| Contracted services   | <u>14,381</u>    | <u>17,342</u>    |
|   | <u>905,518</u>   | <u>871,764</u>   |
| <b>Excess (deficiency) of revenue over expenses</b>                 | <u>(14,089)</u>  | <u>(282)</u>     |
| <b>Emergency Physicians Alternate Funding Agreement Program</b>     |                  |                  |
| <b>Revenue</b>  |                  |                  |
| Ministry of Health and Long Term Care                               | <u>1,843,253</u> | <u>1,814,111</u> |
| <b>Expenses</b>   |                  |                  |
| Doctors' fees   | 1,835,307        | 1,798,723        |
| Other supplies and services   | <u>25,789</u>    | <u>25,875</u>    |
|   | <u>1,861,096</u> | <u>1,824,598</u> |
| <b>Excess (deficiency) of revenue over expenses</b>                 | <u>(17,843)</u>  | <u>(10,487)</u>  |
| <b>Haldimand-Norfolk Diabetes Program</b>                           |                  |                  |
| <b>Revenue</b>  |                  |                  |
| Ministry of Health and Long Term Care                               | <u>557,216</u>   | <u>541,617</u>   |
| <b>Expenses</b>   |                  |                  |
| Salaries and wages  | 356,083          | 343,988          |
| Employee benefits   | 93,337           | 93,326           |
| Audit fees  | 1,500            | 1,250            |
| Other supplies  | <u>99,676</u>    | <u>34,654</u>    |
|   | <u>550,596</u>   | <u>473,218</u>   |
| <b>Excess of revenue over expenses</b>                              | <u>6,620</u>     | <u>68,399</u>    |