

Grey Bruce Health Services
Financial Statements
For the year ended March 31, 2011

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For the year ended March 31, 2011

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Independent Auditor's Report

To the Board of Directors and the Members of
Grey Bruce Health Services

We have audited the accompanying financial statements of the Grey Bruce Health Services, which comprise the balance sheet as at March 31, 2011 and the statements of changes in net assets, revenues and expenditures and cash flows 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 generally accepted accounting principles, 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 Grey Bruce Health Services as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

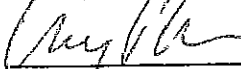
Chartered Accountants, Licensed Public Accountants

Owen Sound, Ontario
June 1, 2011

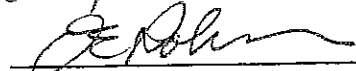
Grey Bruce Health Services
Balance Sheet
(In Thousands of Dollars)

March 31	2011	2010
Assets		
Current		
Cash and investments (Note 2)	\$ 16,865	\$ 10,331
Accounts receivable (Note 3)	6,395	5,037
Inventory	3,945	3,682
Prepaid expenses	1,487	1,495
	28,692	20,545
Capital assets (Note 4)	60,974	66,564
Promissory notes (Note 5)	576	531
	\$ 90,242	\$ 87,640
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 24,064	\$ 20,562
Employee future benefits (Note 7)	3,500	3,469
Deferred contributions (Note 8)	46,092	47,895
	73,656	71,926
Net assets (Page 5)		
Internally restricted for capital asset replacement	4,526	3,489
Endowment fund	72	65
Unrestricted	11,988	12,160
	16,586	15,714
	\$ 90,242	\$ 87,640

On behalf of the Board:



Director



Director

Grey Bruce Health Services
Statement of Changes in Net Assets
(In Thousands of Dollars)

For the year ended March 31

	Internally Restricted for Capital Asset Replacement	Endowment Fund	Unrestricted	Total 2011	Total 2010
Balance, beginning of year	\$ 3,489	\$ 65	\$ 12,160	\$15,714	\$ 15,130
Revenue over expenditures (Page 6)	-	-	865	865	579
Unrealized gain on shares	-	7	-	7	5
Interfund transfers	1,037	-	(1,037)	-	-
Balance, end of year	\$ 4,526	\$ 72	\$ 11,988	\$16,586	\$ 15,714

The accompanying notes and summary of significant accounting policies are an integral part of these financial statements.

Grey Bruce Health Services
Statement of Revenues and Expenditures
(In Thousands of Dollars)

For the year ended March 31	2011	2010
Revenue		
Ministry of Health and Long-Term Care	\$ 124,245	\$ 121,077
Patient revenue from other payors	19,738	20,210
Differential and co-payment revenue	3,219	2,711
Undistributed and miscellaneous revenue	12,704	11,227
Amortization of deferred contributions	3,681	4,917
	<u>163,587</u>	<u>160,142</u>
Expenditures		
Salaries and wages	76,332	74,308
Employee benefits	20,006	19,209
Medical staff remuneration	21,075	20,798
Supplies and other expenses	19,426	19,274
Medical and surgical supplies	9,266	8,655
Drugs and medical gases	10,288	9,326
Equipment amortization	4,984	6,674
	<u>161,377</u>	<u>158,244</u>
Excess of revenue over expenditures	<u>2,210</u>	<u>1,898</u>
Other revenue (expenses)		
Program revenue from Ministry of Health and Long-Term Care	5,242	4,997
Program expenses for Ministry of Health and Long-Term Care	(5,242)	(4,997)
Net building amortization (Note 9)	(1,345)	(1,319)
	<u>(1,345)</u>	<u>(1,319)</u>
Revenue over expenditures	<u>\$ 865</u>	<u>\$ 579</u>

The accompanying notes and summary of significant accounting policies are an integral part of these financial statements.

Grey Bruce Health Services
Statement of Cash Flows
(In Thousands of Dollars)

For the year ended March 31	2011	2010
Cash provided by (used in)		
Operating activities		
Revenue over expenditures	\$ 865	\$ 579
Items not involving cash		
Amortization of capital assets	8,444	10,002
Amortization of deferred contributions	(5,796)	(6,926)
Unrealized gain on shares	7	5
Employee future benefits	31	112
Loss on disposal of capital assets	102	92
	<u>3,653</u>	<u>3,864</u>
Changes in non-cash working capital balances		
Accounts receivable	(1,358)	(887)
Inventory	(263)	(86)
Prepaid expenses	8	(28)
Accounts payable and accrued liabilities	3,502	(536)
	<u>5,542</u>	<u>2,327</u>
Investing activities		
Purchase of capital assets	(2,956)	(3,838)
Receipt of restricted donations	2,482	3,167
Receipt of capital grants	1,511	1,702
Advance of promissory notes	(480)	(356)
Repayment of promissory notes	435	311
	<u>992</u>	<u>986</u>
Financing activities		
Repayment of capital loan	-	(279)
Increase in cash and investments during the year	6,534	3,034
Cash and investments, beginning of the year	10,331	7,297
Cash and investments, end of the year	<u>\$ 16,865</u>	<u>\$ 10,331</u>

The accompanying notes and summary of significant accounting policies are an integral part of these financial statements.

Grey Bruce Health Services
Summary of Significant Accounting Policies
(In Thousands of Dollars)

March 31, 2011

Nature and Purpose of Organization

Grey Bruce Health Services is incorporated without share capital under the laws of Ontario. Grey Bruce Health Services is principally involved in providing health services to the Villages of Lion's Head and Markdale, the Towns of Meaford, Wiarton and Southampton, the City of Owen Sound and surrounding areas. 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.

Basis of Accounting and Presentation

The financial statements have been prepared using the accrual method of accounting. Under the accrual method of accounting, revenue is recorded when earned and expenses are recorded when incurred.

The financial statements do not include the assets, liabilities and activities of related volunteer organizations which are not operated by the Hospital.

Inventories

Inventories are valued at the lower of cost and replacement cost. Warehouse inventory is determined on an average cost basis. All other inventory items are valued on a first-in, first-out basis.

Investments

Investments are recorded at fair market value.

Capital Assets

Capital assets are recorded at cost including amounts funded by the Ministry. Amortization of these assets is provided on a straight-line basis over the useful life of the assets as follows:

Buildings, service equipment and land improvements	2% - 10%
Major equipment	5% - 20%

Grants, donations and bequests and other monies received for the purpose of acquiring capital assets are recorded as deferred contributions and amortized on the same basis as the related capital assets.

Grey Bruce Health Services
Summary of Significant Accounting Policies
(In Thousands of Dollars)

March 31, 2011

**Impairment of Long-Term
Assets**

The Hospital tests long-lived assets for valuation when events or changes in circumstances indicate that their carrying amounts may be impaired. An impairment loss is recognized when the carrying amount is not recoverable and exceeds the fair value of the asset. The impairment loss is measured as the amount by which the carrying amount exceeds the fair value.

Renovations

The cost of renovations to the hospital buildings which significantly increase their useful life and capacity are capitalized as part of the cost of the related capital assets. Renovation costs to adapt the hospital building to changed operating conditions or to maintain operating efficiency are expensed as incurred.

Financial Instruments

Held-for-Trading

These instruments are recognized initially at fair value and transaction costs are taken directly to the statement of operations. They are subsequently measured at fair value and gains and losses arising from changes in fair value of these instruments are recorded in the statement of operations. Financial instruments cannot be transferred into or out of the held for trading category after inception. For designation at fair value using the fair value option, reliable fair values must be readily available. The organization has classified its cash and investments as held for trading. The fair values of cash and investments approximate the carrying amount because of the short term maturity of these instruments.

Loans and Receivables and Other Financial Liabilities

Loans and receivable category is comprised of accounts receivable and promissory notes. Other financial liabilities include accounts payable and accrued liabilities. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Interest income or expense is included in revenues over expenditures (expenditures over revenues) over the expected life of the instrument. Transaction costs are expensed as incurred.

Grey Bruce Health Services
Summary of Significant Accounting Policies
(In Thousands of Dollars)

March 31, 2011

**Pensions and Employee
Future Benefits**

The Hospital is an employer member of the Healthcare of Ontario Pension Plan (HOOPP), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. 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.

The cost of retirement benefits earned by employees is actuarially determined using the projected unit method pro-rated on service and management's best estimate of salary escalation (where applicable), retirement ages of employees and expected health care costs.

**Accrued Vacation Pay
and Sick Leave Credits**

Vacation pay and sick leave credits have been recorded as current liabilities. Vacation pay is recorded as it is earned by the employees. Sick leave credits are recorded as they become vested with the employees.

**Ministry of Health and
Long-term Care Funding**

Under the Health Insurance Act and the 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 in collaboration with the South West Local Health Integration Network (LHIN). These financial statements reflect agreed funding arrangements approved by the Ministry/LHIN with respect to the year ended March 31, 2011.

Deferred Donations

Donations received by the Grey Bruce Health Services for the purpose of purchasing capital assets are deferred and amortized on a straight-line basis at a rate corresponding with the depreciation rate for the related asset purchased.

Grants

Provincial capital grants received by Grey Bruce Health Services are deferred and amortized on a straight-line basis at a rate corresponding with the amortization rate for the related asset purchased.

Donations and Bequests

Donations and bequests are recorded when received at their estimated realizable value.

Grey Bruce Health Services
Summary of Significant Accounting Policies
(In Thousands of Dollars)

March 31, 2011

Revenue Recognition

The Hospital follows the deferral method of accounting for contributions.

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 as administered by the South West Local Health Integration Network. 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.

Patient revenues are recorded once services have been provided to the patient. At this point collectibility is reasonably assured and measurement is attainable.

Other revenues, such as pharmacy and parking revenues, are recorded as sales take place. Once sales have occurred, cash has been collected and performance is completed.

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

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the depreciation rate for the related asset purchased.

Contributions for endowment are recognized as revenue in the Endowment Fund when received.

**Contributed Materials
and Services**

Contributed materials and services which are used in the normal course of the hospital's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

Volunteers contribute many hours per year to assist the hospital in carrying out its service delivery activities. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Grey Bruce Health Services
Summary of Significant Accounting Policies
(In Thousands of Dollars)

March 31, 2011

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of the financial statements are the determination of the allowance for doubtful accounts, inventory obsolescence and estimated useful life of buildings, improvements and equipment and accruals. Actual results could differ from management's best estimates as additional information becomes available in the future.

New Accounting
Pronouncements
Accounting Framework

For year ends beginning on or after January 1, 2012, Government NPO's have the option of adopting Public Sector Accounting Standards plus the Section 4200 series of NPO-specific standards with modifications or Public Sector Accounting Standards excluding the new 4200 series. The existing standards in the CICA Handbook - Accounting will continue to be available until 2012, at which time they will cease to be an authoritative source of Canadian GAAP. The Hospital is currently monitoring changes to the standards to determine the potential impact on its financial statements.

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2011

1. Financial Instruments

The Hospital's financial instruments consist of cash and investments, accounts receivable, promissory notes and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

2. Cash and Investments

	2011	2010
Unrestricted Investments		
Cash	\$ 12,267	\$ 6,777
Funds Internally Restricted for Capital Replacement		
Cash	4,526	3,489
Funds Restricted for Endowment Purposes		
Cash	25	25
Guaranteed Investment Certificate	1	1
Bell Canada shares	44	37
Bell Aliant Units	2	2
	72	65
	\$ 16,865	\$ 10,331

3. Accounts Receivable

	2011	2010
Cancer Care Ontario	\$ -	\$ 1,278
Ministry of Health and Long-Term Care	1,225	-
Due from Foundations	72	92
Current portion of promissory notes (Note 5)	411	349
Other	4,687	3,318
	\$ 6,395	\$ 5,037

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2011

4. Capital Assets

	2011		2010	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 698	\$ -	\$ 698	\$ -
Buildings, service equipment and land improvements	107,886	60,545	107,460	57,242
Major equipment	92,676	79,741	91,169	75,521
	<u>\$ 201,260</u>	<u>\$ 140,286</u>	<u>\$ 199,327</u>	<u>\$ 132,763</u>
Net book value		<u>\$ 60,974</u>		<u>\$ 66,564</u>

5. Promissory Notes

	2011	2010
Promissory notes, non-interest bearing, due dates vary from 2012 to 2016	\$ 987	\$ 880
Less: Current portion (Note 3)	411	349
	<u>\$ 576</u>	<u>\$ 531</u>

Annual repayments due over the next five years are as follows:

2012	\$ 411
2013	337
2014	204
2015	25
2016	10
	<u>\$ 987</u>

6. Accounts Payable and Accrued Liabilities

	2011	2010
Trade accounts payable and accrued liabilities	\$ 22,229	\$ 19,589
Ministry of Health and Long-Term Care	1,486	973
Cancer Care Ontario	349	-
	<u>\$ 24,064</u>	<u>\$ 20,562</u>

March 31, 2011

7. Employee Future Benefits

(a) Post Employment Benefits

The Hospital provides post-employment benefits comprised of extended health care, dental and life insurance benefits to substantially all full-time employees. At March 31, 2011, the Hospital's accrued benefit obligation relating to these post-retirement benefit plans is \$3,500 (2010 - \$3,469).

Included in employee benefits expense on the Statement of Revenues and Expenditures is an amount of \$31 (2010 - \$112) regarding employee future benefits.

The most recent actuarial valuation was done as of March 31, 2011. The significant actuarial assumptions adopted in estimating the Hospital's accrued benefit obligation are as follows:

	2011	2010
Accrued employee future benefits obligation:		
Discount rate	5.20%	5.60%
Extended health care	6.80%	7.00%
Dental cost increases	3.00%	3.00%
Semi-private	3.00%	3.00%

(b) Pension Plan

Substantially all of the employees of the Grey Bruce Health Services are eligible for membership in the Healthcare of Ontario Pension Plan (HOOPP), a multi-employer, defined benefit pension plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five consecutive years prior to retirement, termination or death.

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, together with amounts contributed by the employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan.

Variances between actuarial funding estimates and the actual experience may be material and any differences are generally to be funded by the participating members. Employer contributions made to the Plan during the year by Grey Bruce Health Services amounted to \$6,206 (2010 - \$6,011). These amounts are included in employee benefits expense in the Statement of Revenues and Expenditures. The most recent actuarial valuation of the Plan was as at December 31, 2010.

HOOPP is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of the employers. Grey Bruce Health Services does not recognize any share of the HOOPP pension surplus or deficit. The plan has reported a \$176 million actuarial surplus at the end of December 2010 (2009 - \$536 million surplus), based on actuarial liabilities of \$34.9 billion (2009 - \$32.0 billion) and actuarial net assets of \$35.1 billion (2009 - \$32.6 billion).

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2011

8. Deferred Contributions

	2011	2010
Balance, beginning of the year	\$ 47,895	\$ 49,952
Contributions received	3,993	4,869
Amortization	(5,796)	(6,926)
Balance, end of the year	\$ 46,092	\$ 47,895

9. Building Amortization

	2011	2010
Amortization of deferred contributions	\$ 2,115	\$ 2,009
Amortization of building assets	(3,460)	(3,328)
	\$ (1,345)	\$ (1,319)

10. Contingencies and Commitments

Grey Bruce Health Services is involved in various legal proceedings and believes it has adequate legal defences and/or insurance coverage with respect to these actions. However, it is possible that these cases could result in outcomes unfavourable to the Hospital. The outcome of litigation is inherently difficult to predict. In the event of an adverse outcome management believes the amount of any such loss in excess of insurance coverage would not be material.

11. Net Asset Disclosures

For the Hospital's purposes capital is considered to be its net assets, comprised of restricted, endowment, and unrestricted funds. At March 31, 2011, net assets totalled \$16,586.

The Hospital's objectives in managing its net assets is to ensure sufficient working capital exists to meet its ongoing operating financial obligations and financing for future repairs and replacements. There are no external requirements.