

Manitouwadge General Hospital
Financial Statements
March 31, 2011

Manitouwadge General Hospital
Contents
For the year ended March 31, 2011

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Management's Responsibility

To the Members and Board of Directors of Manitouwadge General Hospital:

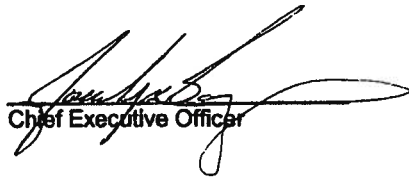
Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Hospital. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management. The Board is also responsible for recommending the appointment of the Hospital's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

June 9, 2011



Chief Executive Officer



Chief Financial Officer

Independent Auditors' Report

To the Members and Board of Directors of Manitowadge General Hospital:

We have audited the accompanying financial statements of Manitowadge General Hospital, which comprise the statement of financial position as at March 31, 2011 and the statements of operations, changes in net assets 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.

Auditors' 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 auditors' 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 unqualified audit opinion.

Opinion

In our opinion, the financial statements present fairly in all material respects the financial position of Manitowadge General Hospital as at March 31, 2011 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Thunder Bay, Ontario

June 9, 2011



Chartered Accountants

Licensed Public Accountants

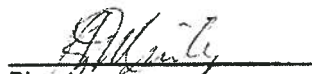
Manitouwadge General Hospital
Statement of Financial Position

As at March 31, 2011

	2011	2010
Assets		
Current		
Unrestricted cash	185,553	-
Restricted cash	433,895	246,933
Short-term investments (Note 4)	214,834	245,402
Accounts receivable	183,358	113,034
Inventory (Note 5)	74,931	79,486
Prepaid expenses and deposits	39,947	42,238
	1,132,518	727,093
Capital assets (Note 6)	8,569,958	9,040,746
Long-term investments (Note 7)	567,427	497,673
Recoverable employee benefits	64,078	53,178
	10,333,981	10,318,690
Liabilities		
Current		
Accounts payable and accruals	839,545	547,393
Current portion of capital lease obligation (Note 9)	1,941	1,632
	841,486	549,025
Capital lease obligation (Note 9)	2,951	4,892
Deferred contributions related to capital assets (Note 10)	8,198,777	8,593,703
Employee future benefits (Note 11)	264,443	238,100
Contingencies (Note 12)		
Net Assets		
Invested in capital assets	805,077	889,291
Unrestricted	221,247	43,679
	1,026,324	932,970
	10,333,981	10,318,690

Approved on behalf of the Board


 Director


 Director

Manitouwadge General Hospital
Statement of Operations
For the year ended March 31, 2011

	2011	2010
Revenue		
Ministry of Health and Long-Term Care (Note 13)	4,796,004	4,538,861
Other agencies and self pay (Note 13)	360,550	331,940
Other (Note 11), (Note 13)	410,719	359,573
Amortization of deferred capital contributions	194,071	201,020
Total revenue	5,761,344	5,431,394
Expenses		
Administrative services and supplies	247,321	303,089
Amortization of equipment and information systems	257,258	241,269
Bad debts	4,882	13,575
Drugs	69,239	73,239
Dietary food and supplies	98,460	109,130
Family Health Team	140,396	-
Nursing and other patient care supplies	250,021	182,618
Med transit services	283	117,605
Medical and surgical supplies	54,712	51,465
Rental	113,173	79,452
Salaries and benefits (Note 14)	3,691,122	3,935,592
Supportive services	125,145	113,035
Utilities and insurance	495,705	458,493
	5,547,717	5,678,562
Excess (deficiency) of revenue over expenses before the following	213,627	(247,168)
Amortization of land improvements and building	(355,742)	(353,794)
Amortization of deferred capital contributions - land improvements and building	235,469	230,682
Excess (deficiency) of revenue over expenses	93,354	(370,280)

Manitouwadge General Hospital
Statement of Changes in Net Assets
For the year ended March 31, 2011

	<i>Invested in Capital Assets</i>	<i>Unrestricted</i>	2011	2010
Net assets, beginning of year	889,291	43,679	932,970	1,303,250
Excess (deficiency) of revenue over expenses (Note 16)	(183,759)	277,113	93,354	(370,280)
Net change in capital assets (Note 16)	99,545	(99,545)	-	-
Net assets, end of year	805,077	221,247	1,026,324	932,970

Manitouwadge General Hospital
Statement of Cash Flows
For the year ended March 31, 2011

	2011	2010
Cash provided by (used for) the following activities		
Operating activities		
Cash received from patients and funding agencies	5,420,928	5,193,354
Cash paid to suppliers and employees	(4,976,935)	(5,587,605)
Interest received	21,047	25,134
	465,040	(369,117)
Financing activities		
Capital contributions received	27,341	206,215
Loan payments received	-	4,500
Repayment of capital lease obligation	(1,632)	(1,372)
	25,709	209,343
Investing activities		
Purchase of investments	(286,183)	(573,976)
Proceeds on disposals of investments	270,875	746,470
Purchase of capital assets	(182,926)	(407,321)
Proceeds on disposal of capital assets	80,000	-
	(118,234)	(234,827)
Increase (decrease) in cash resources	372,515	(394,601)
Cash resources, beginning of year	246,933	641,534
Cash resources, end of year	619,448	246,933
Cash resources are composed of:		
Unrestricted cash	185,553	-
Restricted cash	433,895	246,933
	619,448	246,933

1. Organization

Manitouwadge General Hospital (the "Hospital") is principally involved in providing health care services to the Township of Manitouwadge and surrounding region of Northwestern Ontario.

The Hospital is incorporated under the Provincial Corporation Act as a not-for-profit organization and is a registered charity under the Income Tax Act. Accordingly, the Hospital is not subject to income taxes.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as issued by the Accounting Standards Board in Canada using the following significant accounting policies:

Financial instruments

Held for trading:

The Hospital has classified the following financial assets and liabilities as held for trading: cash and investments.

Held for trading financial instruments are initially and subsequently measured at their fair value. Fair value is determined by published price quotations in an active market. Transactions to purchase or sell these items are recorded on the trade date. Gains and losses arising from changes in fair value are recognized immediately in the statement of revenues and expenses.

Loans and receivables:

The Hospital has classified the following financial assets as loans and receivables: accounts receivable. These assets are initially recognized at their fair value. Fair value is determined by recent arm's length market transactions for the same instrument. Transactions to purchase or sell these items are recorded on the trade date.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability. Gains and losses arising from changes in fair value are recognized in excess of revenues over expenses upon derecognition or impairment.

Other financial liabilities:

The Hospital has classified the following financial liabilities as other financial liabilities: accounts payable and accruals and capital lease obligation. These liabilities are initially recognized at their fair value. Fair value is determined by recent arm's length market transactions for the same instrument. Transactions to purchase or sell these items are recorded on the trade date.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Gains and losses arising from changes in fair value are recognized in excess of revenues over expenses upon derecognition or impairment.

Investments

Investments are carried at market value. Investments are valued in aggregate and any increase or decline in value is charged to income in the current period.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost of office and supplies is determined by the first-in, first-out method. Cost of pharmacy inventory is determined by the weighted average method.

2. Significant accounting policies *(Continued from previous page)*

Capital assets

Purchased capital assets are recorded at cost. The cost for contributed capital assets is considered to be fair value at the date of contribution.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Automotive	20 %
Equipment	5 %
Information systems	20 - 33 %
Land improvements	10 %
Hospital building	2.5 - 5 %
Ambulance building	2.5 - 5 %
Residence buildings	2.5 - 5 %
Leased assets	20 %

Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. Assets under capital leases are amortized on a straight-line basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

Impairment of long-lived assets

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Hospital performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Fair value is measured using future discounted cash flows. Any impairment is included in earnings for the year.

Deferred contributions related to capital assets

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

Employee future benefits

The Hospital accrues its obligation for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefits method pro-rated on service and management's best estimate of retirement ages and expected health care costs. The attribution period for such cost begins the date of hire of the employee to the date the employee becomes fully eligible to receive the benefits. The discount rate used to determine accrued benefit obligations is based on a year end market rate of interest for high quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

Adjustments arising from plan amendments, including past service costs, are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

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

2. Significant accounting policies *(Continued from previous page)*

Revenue recognition

The Hospital follows the deferral method of accounting for revenue received. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Funds externally restricted for the purchase of capital assets are recognized as revenue in an amount equal to the annual amortization of the related assets. 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.

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

Contributed materials and services

The Hospital does not recognize the receipt of contributed materials and services.

Use of estimates

The preparation of financial statements in conformity with Canadian 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 reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary.

Accounts payable and accruals are estimated based on historical charges for unbilled goods and services at year end.

Deferred contributions related to capital assets and capital asset amortization are based on the estimated useful lives of capital assets.

Employee future benefits are based on actuarial valuations.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

Recent Accounting Pronouncements

Canadian accounting standards for not-for-profit organizations

In October 2010, the Accounting Standards Board (AcSB) approved the accounting standards for private sector not-for-profit organizations (NFPOs) to be included in Part III of the CICA Handbook - Accounting ("Handbook"). Part III will comprise:

- The existing "4400 series" of standards dealing with the unique circumstances of NFPOs, currently in Part V of the Handbook; and
- The new accounting standards for private enterprises in Part II of the Handbook, to the extent that they would apply to NFPOs.

Effective for fiscal years beginning on or after January 1, 2012, private sector NFPOs will have the option to adopt either Part III of the Handbook or International Financial Reporting Standards (IFRS). Earlier adoption is permitted. The Hospital expects to adopt Part III of the Handbook as its new financial reporting standards. The Hospital has not yet determined the impact of the adoption of Part III of the Handbook on its financial statements.

Manitouwadge General Hospital
Notes to the Financial Statements
For the year ended March 31, 2011

3. Financial instruments

The Hospital as part of its operations carries a number of financial instruments. It is management's opinion that the Hospital is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Fair value of financial instruments

The carrying amount of accounts receivable and accounts payable and accruals is approximated by their fair value due to their short-term nature.

The carrying value of the Hospital's capital lease obligation is approximated by its fair value, because the interest implicit in the lease is similar to current Canadian lease rates.

4. Short-term investments

	2011	2010
Non-cashable guaranteed investment certificates, paying interest at rates ranging from 1.8% to 4.9%, maturing December 2011 to February 2012 (cost - \$214,834; 2010 - \$245,402).	214,834	245,402

5. Inventory

The breakdown of inventory on hand at the end of the year is as follows:

	2011	2010
Office	2,157	2,617
Medical and surgical	44,480	45,084
Drugs	28,294	31,785
	74,931	79,486

6. Capital assets

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
Automotive	88,128	52,877	35,251	52,877
Hospital building	11,942,680	4,059,709	7,882,971	8,152,605
Ambulance building	460,002	414,068	45,934	68,938
Residence buildings	275,495	179,481	96,014	148,904
Equipment	2,823,684	2,548,693	274,991	339,497
Information systems	446,491	270,903	175,588	218,716
Land improvements	289,193	289,193	-	-
Land	59,209	-	59,209	59,209
	16,384,882	7,814,924	8,569,958	9,040,746

Equipment includes assets under capital lease with a gross cost of \$9,720 (2010 - \$9,720), and accumulated amortization of \$7,776 (2010 - \$5,832).

Manitouwadge General Hospital
Notes to the Financial Statements
For the year ended March 31, 2011

7. Long-term investments

	2011	2010
Non-cashable guaranteed investment certificates, paying interest at rates ranging from 2.35% to 4.48%, maturing June 2012 to February 2015 (cost \$450,803; 2010 - \$402,575).	450,803	402,575
Stocks in publicly traded companies (cost \$104,607; 2010 - \$97,165).	116,624	95,098
	567,427	497,673

8. Bank indebtedness

At March 31, 2011, the Hospital had lines of credit totaling \$100,000 bearing interest at bank prime plus 1.5%, none of which were drawn. The following has been collateralized in connection with this line of credit:

- General security agreement.

9. Capital lease obligation

Obligation under capital lease payable in equal quarterly installments of \$671 including interest at 17.47%, due July 2013, with equipment having a net book value of \$1,944 (2010 - \$3,888), pledged as collateral.

	4,892	6,524
Less: Current portion	(1,941)	(1,632)
	2,951	4,892

Minimum lease payments related to the capital lease obligation are as follows:

2012	2,684
2013	2,684
2014	670
	6,038
Less: imputed interest	(1,146)
	4,892
Less: current portion	(1,941)
	2,951

Manitouwadge General Hospital
Notes to the Financial Statements
For the year ended March 31, 2011

10. Deferred contributions related to capital assets

	<i>Government</i>	<i>Donations</i>	<i>2011 Total</i>	<i>2010 Total</i>
Balance, beginning of year	6,216,877	2,376,826	8,593,703	8,816,354
Received during the year	34,615	-	34,615	209,937
Amount amortized to revenue	(340,397)	(89,144)	(429,541)	(432,588)
Balance, end of year	5,911,095	2,287,682	8,198,777	8,593,703
Unamortized portion	5,477,199	2,287,682	7,764,881	8,151,455
Unexpended portion	433,896	-	433,896	442,248
	5,911,095	2,287,682	8,198,777	8,593,703

A portion of the unexpended contributions may be used for future operating expenses but the amount cannot be determined.

11. Employee future benefits

The Hospital participates in a multi-employer benefit plan on behalf of its employees. The Hospital's contributions to these plans totaled \$401,231 (2010 - \$381,585). The data available from the administrator of the multi-employer pension plans is not sufficient to determine the accumulated benefit obligations, nor the net assets attributable to the multi-employer plan in which the Hospital employees participate.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2010 indicates the plan is 101% funded. The Hospital contributions to the plan made during the year on behalf of its employees are included in the statement of operations. Of this, \$223,746 (2010 - \$212,743) were Hospital contributions and \$177,484 (2010 - \$168,842) were employee contributions.

The Hospital's other post-retirement benefits programs include certain health care insurance benefits provided to retired employees and eligible surviving dependants. At March 31, 2011, the Hospital's total accrued benefit obligation related to the post-retirement benefit plans (other than pension) is \$264,443 (2010 - \$238,100). The most recent actuarial valuation was provided April 1, 2010 and the next required actuarial valuation will be as at April 1, 2013.

Manitouwadge General Hospital
Notes to the Financial Statements
For the year ended March 31, 2011

12. Contingencies

Insurance

A group of hospitals, including Manitouwadge General Hospital, have formed the Healthcare Insurance Reciprocal of Canada (HIROC). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members, and these losses could be material. No reassessments have been made to March 31, 2011.

Employee fringe benefits

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

Termination

As a result of the termination of an employee of the Hospital in a prior year, the Hospital is currently disputing a wrongful dismissal claim. The likelihood and amount of any loss is not determinable as the matter is currently in dispute.

13. Revenue

	2011	2010
Ministry of Health and Long-Term Care		
Operating grant	4,623,446	4,489,012
Other programs	172,558	49,849
	4,796,004	4,538,861
Other agencies and self pay		
In-patient	220,184	207,995
Out-patient	140,366	123,945
	360,550	331,940
Other		
Donations	13,285	24,388
Interest and other investment income	71,600	40,076
Food services	35,478	46,797
Recoveries and sundry	88,839	61,274
Rental	201,517	187,038
	410,719	359,573

Manitouwadge General Hospital
Notes to the Financial Statements
For the year ended March 31, 2011

14. Salaries and benefits

	2011	2010
Medical staff remuneration	78,383	69,368
Nursing	1,243,224	1,350,059
Other patient care services	615,130	598,594
Administrative	358,601	420,274
Support services	692,790	806,212
Employee benefits	702,994	691,085
	3,691,122	3,935,592

15. Invested in capital assets

	2011	2010
Capital assets at net book value	8,569,958	9,040,746
Amounts financed by deferred capital contributions	(7,764,881)	(8,151,455)
	805,077	889,291

16. Changes in net assets invested in capital assets

	2011	2010
Balance, beginning of year	889,291	919,839
Amortization of deferred capital contributions	429,541	431,702
Amortization of capital assets	(613,300)	(615,714)
Deficiency of revenue over expenditures	(183,759)	(184,012)
Purchase of capital assets	182,926	407,321
Amounts funded by deferred capital contributions utilized to purchase capital assets during the year	(39,061)	(252,974)
Net book value of capital assets disposed of during the year	(44,320)	-
Net change in capital assets	99,545	154,347
Balance, end of year	805,077	890,174

Manitouwadge General Hospital
Notes to the Financial Statements
For the year ended March 31, 2011

17. Commitments

The Hospital has entered into various lease agreements with estimated minimum annual payments as follows:

2012	66,013
2013	59,556
2014	52,397
2015	15,990
	<hr/>
	193,956

18. Capital disclosure

The Hospital defines capital as the Hospital's net assets. The Hospital seeks to maintain sufficient capital to enable it to manage its on-going operations and obligations. In order to facilitate the management of capital, the Hospital continuously monitors actual cash flows against annual budgets approved by the Board of Directors.

No requirement on the level or use of the Hospital's capital have been externally imposed.

19. Economic dependence

The Hospital's primary source of revenue is funding from the Ministry of Health and Long-Term Care. The funding can be canceled if the Hospital does not observe certain established guidelines. The Hospital's ability to continue viable operations is dependent upon maintaining its right to follow the criteria within the Ministry guidelines. As at the date of these financial statements the Hospital believes that it is in compliance with the guidelines.

20. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.