

TEMISKAMING HOSPITAL
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2013

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Changes in Net Assets	3
Statement of Remeasurement Gains and Losses	4
Statement of Operations	5
Statement of Cash Flows	6
Statement of Other Revenue	7
Notes to the Financial Statements	8 - 16

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors
and Members of Temiskaming Hospital

We have audited the accompanying financial statements of TEMISKAMING HOSPITAL, which comprise the statement of financial position as at March 31, 2013, and the statements of changes in net assets, operations 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 public sector accounting standards for government not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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 TEMISKAMING HOSPITAL as at March 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

Kemp Elliott & Blair LLP

Kemp Elliott & Blair LLP

Licensed Public Accountants
New Liskeard, Ontario
June 13, 2013

Chartered Accountants

TEMISKAMING HOSPITAL

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2013

ASSETS

	March 31, 2013	March 31, 2012	April 1, 2011
Current assets			
Cash – other	\$ 1,233,421	\$ 1,897,484	\$ 3,300,709
Cash – held in trust	-	-	217,189
Short term investments – held in trust	-	-	206,428
Short term investments – other	-	507,668	402,505
Accounts receivable	1,477,076	1,479,915	989,403
Inventories	297,798	311,348	303,157
Prepaid expenses	286,710	356,131	222,311
	<u>3,295,005</u>	<u>4,552,546</u>	<u>5,641,702</u>
Investments			
Long term investments – restricted – note 5	2,604,431	2,519,665	2,583,168
Long term investments – unrestricted – note 5	1,812,676	1,977,868	1,753,096
	<u>4,417,107</u>	<u>4,497,533</u>	<u>4,336,264</u>
Capital assets			
Property, plant and equipment – note 6	15,625,601	14,431,979	14,282,736
	<u>\$ 23,337,713</u>	<u>\$ 23,482,058</u>	<u>\$ 24,260,702</u>

LIABILITIES AND EQUITY

Current			
Accounts payable and accrued liabilities – note 7	\$ 3,160,929	\$ 2,381,561	\$ 2,774,650
Trust liabilities	-	-	423,617
Current portion – accrued benefit liability – note 11	57,094	53,992	50,000
	<u>3,218,023</u>	<u>2,435,553</u>	<u>3,248,267</u>
Long term			
Deferred revenue – note 8	547,581	482,701	380,690
Deferred donations – note 9	128,357	160,795	204,262
Deferred Ministry capital grants – note 10	1,370,511	1,390,610	1,020,762
Accrued benefit liability – note 11	1,358,840	1,302,905	1,243,570
Total liabilities	<u>6,623,312</u>	<u>5,772,564</u>	<u>6,097,551</u>
NET ASSETS			
Unrestricted net assets	13,750,238	14,937,342	15,368,357
Restricted net assets	1,957,501	2,131,109	2,254,821
	<u>15,707,739</u>	<u>17,068,451</u>	<u>17,623,178</u>
Unrestricted accumulated remeasurement gains	359,731	252,487	211,626
Restricted accumulated remeasurement gains	646,931	388,556	328,347
	<u>16,714,401</u>	<u>17,709,494</u>	<u>18,163,151</u>
	<u>\$ 23,337,713</u>	<u>\$ 23,482,058</u>	<u>\$ 24,260,702</u>

Approved on behalf of the Board:

Director

Director

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

TEMISKAMING HOSPITAL
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2013

	<u>2013</u>	<u>2012</u>
Balance, beginning of year – unrestricted net assets	\$ 14,937,341	\$ 15,368,357
Less: Deficiency of revenue over expenses	(1,337,900)	(531,016)
Add: Additions – note 13	<u>150,797</u>	<u>100,000</u>
Balance, end of year – unrestricted net assets	<u>\$ 13,750,238</u>	<u>\$ 14,937,341</u>
Balance, beginning of year – restricted net assets	\$ 2,131,110	\$ 2,254,821
Less: Deficiency of revenue over expenses	(22,812)	(23,711)
Less: Withdrawals – note 13	<u>(150,797)</u>	<u>(100,000)</u>
Balance, end of year – restricted net assets	<u>\$ 1,957,501</u>	<u>\$ 2,131,110</u>
Balance, end of year – total net assets	<u>\$ 15,707,739</u>	<u>\$ 17,068,451</u>

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

TEMISKAMING HOSPITAL**STATEMENT OF REMEASUREMENT GAINS AND LOSSES****FOR THE YEAR ENDED MARCH 31, 2013**

	March 31, 2013	March 31, 2012	April 1, 2011
Unrestricted accumulated remeasurement gains, beginning of year	\$ 252,487	\$ 211,626	\$ -
Adjustment on adoption of financial instruments section 3450	-	-	211,626
Add: Unrealized investment gains attributable to: Unrestricted investments	202,079	40,861	-
Less: Amounts reclassified to statement of operations: Disposition of long-term investments	(94,835)	-	-
Unrestricted accumulated remeasurement gains, end of year	\$ 359,731	\$ 252,487	\$ 211,626
Restricted accumulated remeasurement gains, beginning of year	\$ 388,556	\$ 328,347	\$ -
Adjustment on adoption of financial instruments section 3450	-	-	328,347
Add: Unrealized investment gains attributable to: Restricted investments	258,375	60,209	-
Restricted accumulated remeasurement gains, end of year	\$ 646,931	\$ 388,556	\$ 328,347
Total accumulated remeasurement gains, end of year	\$ 1,006,662	\$ 641,043	\$ 539,973

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

TEMISKAMING HOSPITAL**STATEMENT OF OPERATIONS****FOR THE YEAR ENDED MARCH 31, 2013**

	<u>2013</u>	<u>2012</u>
Revenue		
Ministry of Health - approved allocation	\$ 17,652,700	\$ 17,504,700
Ministry of Health – one-time payment	291,382	272,188
Ministry of Health - hospital on call contract services	943,535	882,100
Ministry of Health - amortization of capital grants	102,231	102,222
Other revenue - page 7	<u>6,978,554</u>	<u>6,698,050</u>
Total revenue	<u>25,968,402</u>	<u>25,459,260</u>
Expenses		
Salaries and wages	13,754,721	12,785,137
Medical staff remuneration	2,282,979	2,398,454
Employee benefits	3,629,975	3,435,867
Supplies and other expenses	4,246,279	4,183,815
Medical and surgical supplies	844,032	790,913
Drug expense	1,180,620	1,073,623
Bad debts – note 16	98,767	47,641
Amortization - equipment	<u>690,091</u>	<u>671,479</u>
Total expenses	<u>26,727,464</u>	<u>25,386,929</u>
Operating surplus (deficiency) of revenue over expenses	(759,062)	72,331
Less: Amortization – plant and property	<u>601,650</u>	<u>627,058</u>
Deficiency of revenue over expenses	\$ (1,360,712)	\$ (554,727)

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

TEMISKAMING HOSPITAL**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED MARCH 31, 2013**

	2013	2012
Operating Activities		
Deficiency of revenue over expenses	\$ (1,360,712)	\$ (554,727)
Items not affecting cash -		
Amortization of capital assets	1,291,741	1,298,537
Loss on disposal of capital assets	-	53,046
Amortization of deferred grants	(102,231)	(102,222)
	(171,202)	694,634
Net change in non-cash working capital -		
Accounts receivable	2,839	(490,512)
Inventories	13,550	(8,191)
Prepaid expenses	69,421	(133,820)
Accounts payable and accrued liabilities	782,470	(393,089)
Deferred donations	-	(423,617)
	868,280	(1,449,229)
Total cash from (used for) operating activities	697,078	(754,595)
Financing Activities		
Increase in Ministry grants	-	226,750
Increase in accrued benefit liability	55,935	63,327
Increase in deferred revenue and donations	8,687	46,544
Total cash from financing activities	64,622	336,621
Investing Activities		
Decrease (increase) in investments	446,045	(60,199)
Total cash from (used for) investing activities	446,045	(60,199)
Capital Activities		
Acquisition of capital assets – net of disposals	(2,485,363)	(1,500,826)
Contributions received for capital purposes	105,887	257,320
Total cash used for capital activities	(2,379,476)	(1,243,506)
Decrease in cash	(1,171,731)	(1,721,679)
Cash, beginning of year	2,405,152	4,126,831
Cash, end of year	\$ 1,233,421	\$ 2,405,152
Represented by		
Cash	\$ 1,233,421	\$ 1,897,484
Short term investments	-	507,668
	\$ 1,233,421	\$ 2,405,152

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

TEMISKAMING HOSPITAL**STATEMENT OF OTHER REVENUE****FOR THE YEAR ENDED MARCH 31, 2013**

	<u>2013</u>	<u>2012</u>
Other Revenue		
Outpatient - OHIP	\$ 1,470,201	\$ 1,359,374
Service recoveries	994,664	737,979
Outpatient – out of Province	780,669	848,338
Cancer Care Ontario recoveries	708,027	691,870
Outpatient – other	382,696	379,474
Inpatient	330,059	338,113
Wage recoveries	293,350	382,488
Preferred accommodation	284,606	301,963
Laundry recoveries – internal	269,272	269,619
Parking	229,042	185,877
Material recoveries	218,271	152,637
Alternative level of care co-payment	174,231	131,946
Food service	168,790	176,228
Donations	157,086	156,450
Chronic care co-payment	130,237	277,694
Room rentals	199,722	241,983
Investment income	94,835	-
Telephone and television rentals	35,490	31,916
Ambulance	27,930	27,396
Interest income	16,215	47,840
Ministry municipal tax grant	10,200	10,200
Cash discounts	2,961	1,711
Loss on disposal of capital assets	-	(53,046)
	<u>\$ 6,978,554</u>	<u>\$ 6,698,050</u>

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

TEMISKAMING HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2013

1. **Hospital Organization**

The Temiskaming Hospital is incorporated without share capital by letters of patent issued by the Province of Ontario and is regulated by the Public Hospitals Act. The Hospital is a registered charity under the Income Tax Act and accordingly is exempt from income taxes under Section 149.1 of the Income Tax Act.

2. **Basis of presentation**

The financial statements of the Hospital have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs").

3. **Significant accounting policies**

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.

Unrestricted contributions are recognized as revenue when received or receivable.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, corresponding with the estimated useful life of the related capital assets.

Investment income on unrestricted amounts is recognized as revenue when realized. Investment income on restricted amounts is recognized as revenue when the restricted amounts are used.

All other revenue is recognized when the service is provided or goods are sold.

b) **Inventories**

Inventories are valued at the lower of average cost and replacement value.

c) **Financial Instruments**

The Hospital classifies its financial instruments as either fair value or amortized cost. The Hospital's accounting policy for each category is as follows:

Fair value

This category includes derivatives and equity instruments quoted in an active market. They are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. Transaction costs related to financial instruments in the fair value category are expensed as incurred. Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations.

TEMISKAMING HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2013

3. Significant accounting policies - continued

c) Financial instruments - continued

Amortized cost

This category includes accounts receivable, accounts payable and accrued liabilities. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets. Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument. Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the statement of operations.

d) Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives using the following rates:

Plant and Property	10 – 40 years straight-line method
Equipment and Furnishings	3 – 20 years straight-line method
Computer software licenses and systems training	3 – 5 years straight-line method

e) Accrued benefit liability

The Hospital accrues its obligations under employee benefit plans and the related costs. The cost of retirement benefits earned by employees is actuarially determined using the projected unit method prorated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee group on a straight line basis. The discount rate used in the determination of this liability is the Province of Ontario's cost of borrowing rate.

f) Measurement uncertainty

The preparation of financial statements in conformity with PSAB for Government NPOs 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. Actual results could differ from these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known.

4. First time adoption of public sector accounting standards

The Public Sector Accounting Board ("PSAB") issued new standards for government not-for-profit organizations. For years beginning on or after January 1, 2012, government NPOs have a choice of:

1. Public sector accounting standards including PS 4200 – 4270 for government not-for-profit organizations;
or
2. Public sector accounting standards.

TEMISKAMING HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2013

4. **First time adoption of public sector accounting standards - continued**

The Hospital has chosen to follow Public Sector Accounting standards including PS 4200 – 4270 for government not-for-profit organizations. The Hospital's first reporting period using these new standards is for the year ended March 31, 2013. As a result, the date of transition to PSAB for government NPOs is April 1, 2011. The Hospital presented financial statements using Canadian generally accepted accounting principles ("CGAAP") annually to March 31st of each fiscal year up to, and including, March 31, 2012.

As these financial statements are the first financial statements for which the Hospital has applied PSAB for Government NPOs, the financial statements have been prepared in accordance with the provisions set out in Section 2125, First Time Adoption by Government Organizations. Section 2125 requires retroactive application of the accounting standards with certain elective and mandatory exceptions.

The Hospital is required to apply PSAB for Government NPOs in:

- a) preparing and presenting its opening statement of financial position at April 1, 2011; and
- b) preparing and presenting its financial statements for the year ended March 31, 2013 and the comparative information presented in these financial statements for the year ended March 31, 2012

The adoption of PSAB for Government NPOs resulted in adjustments to previously reported assets, liabilities, net assets, deficiency of revenue over expenses and cash flows of the Hospital. An explanation of how the transition from pre-changeover CGAAP to PSAB for Government NPOs has affected the Hospital's financial position, operations, changes in net asset and cash flows is set out in the following notes and reconciliations.

The following exemptions and exception were used at the date of transition to PSAB for Government NPOs:

Optional exemptions

Actuarial gains and losses

Pre-changeover CGAAP allowed the Hospital to only recognize actuarial gains and losses that exceeded certain prescribed amounts ("the corridor approach"). PSAB for Government NPOs requires the amortization of actuarial gains and losses on post-employment benefit obligations to be amortized over the estimated average remaining service life of employees. Retroactive application of this approach would require the Hospital to split the cumulative actuarial gains and losses from the inception of the plan until the date of transition to PSAB for Government NPOs into a recognized portion and an unrecognized portion. The Hospital has elected to recognize all cumulative actuarial gains and losses at the date of transition to PSAB for Government NPOs directly in net assets. Actuarial gains and losses subsequent to the date of transition to PSAB for Government NPOs are accounted for in accordance with PS 3250 – Retirement Benefits.

Mandatory exceptions

Estimates

The estimates previously made by the Hospital under pre-changeover CGAAP were not revised for the application of PSAB for Government NPOs except where necessary to reflect any differences in the accounting policy or where there was objective evidence that those estimates were in error. As a result the Hospital has not used hindsight to revise estimates.

TEMISKAMING HOSPITAL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

4. **First time adoption of public sector accounting standards - continued**

Reconciliation of net assets and deficiency of revenues over expenses

In preparing these financial statements, management has amended certain accounting policies previously applied in the pre-changeover Canadian GAAP financial statements to comply with PSAB for Government NPOs. The comparative figures for March 31, 2012 were restated to reflect these adjustments. The following reconciliations and explanatory notes provide a description of the effect of the transition from pre-changeover Canadian GAAP to PSAB for Government NPOs on net assets and deficiency of revenue over expenses:

Reconciliation of Statement of Financial Position as at April 1, 2011 – Transition Date

	Pre-changeover CGAAP	Transition Adjustments		PSAB for Government NPOs before other reclassifications (note 13)
		Adjustment (i)	Adjustment (ii)	
Liabilities				
Current portion – accrued benefit liabilities	\$ 59,000	\$ (9,000)	\$ -	\$ 50,000
Accrued benefit liability	1,456,160	(212,590)	-	1,243,570
	<u>1,515,160</u>	<u>(221,590)</u>	<u>-</u>	<u>1,293,570</u>
Net Assets				
Unrestricted net assets	15,287,197	221,590	(211,626)	15,297,161
Restricted net assets	2,654,364	-	(328,347)	2,326,017
Remeasurement gains	-	-	539,973	539,973
	<u>17,941,561</u>	<u>221,590</u>	<u>-</u>	<u>18,163,151</u>

Reconciliation of Statement of Financial Position as at March 31, 2012

	Pre-changeover CGAAP	Transition Adjustments		PSAB for Government NPOs
		Adjustment (i)	Adjustment (ii)	
Liabilities				
Current position – accrued benefit liability	\$ 62,200	\$ (8,208)	\$ -	\$ 53,992
Accrued benefit liability	1,526,400	(223,495)	-	1,302,905
	<u>1,588,600</u>	<u>(231,703)</u>	<u>-</u>	<u>1,356,897</u>
Net Assets				
Unrestricted net assets	14,958,126	231,703	(252,487)	14,937,342
Restricted net assets	2,519,665	-	(388,556)	2,131,109
Remeasurement gains	-	-	641,043	641,043
	<u>17,477,791</u>	<u>231,703</u>	<u>-</u>	<u>17,709,494</u>

TEMISKAMING HOSPITAL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

4. **First time adoption of public sector accounting standards - continued**

Reconciliation of Statement of Operations for the Year Ended March 31, 2012

	Transition Adjustments		PSAB for Government NPOs
	Pre-changeover CGAAP	Adjustment (i)	
Expenses			
Employee Benefits	\$ 3,445,980	\$ (10,113)	\$ 3,435,867
Deficiency of revenue over expenses	(564,840)	10,113	(554,727)

Statement of Cash Flows for the Year Ended March 31, 2012

The transition to PSAB for Government NPOs had the following impact on the statement of cash flows. The change in deficiency of revenue over expenses for the year ended March 31, 2012 was offset by an adjustment to financing activities. The capital activities section of the statement of cash flows did not exist under CGAAP. As a result, contributions and cash outflows relating to the acquisition of capital assets have been reclassified from financing activities and investing activities, respectively, to capital activities.

Explanations for Adjustments to PSAB for Government NPOs

(i) PSAB for Government NPOs requires the accrued benefit liability to be calculated with a discount rate that is equal to either the Hospital's rate of borrowing or the rate of return on the plan assets. CGAAP required the discount rate to be equal to the yield on high quality corporate bonds. The Hospital has chosen to discount these liabilities using the Province of Ontario's cost of borrowing rate.

As discussed above under optional exceptions, the Hospital has elected to recognize actuarial gains and losses at the date of transition to PSAB for Government NPOs directly in net assets.

(ii) Under PSAB for Government NPOs, the Hospital applied PS 3450 Financial Instruments which requires unrealized changes in investments' fair value in the statement of remeasurement gains and losses until they are realized. The impact of this application was to reclassify previously recorded unrealized investment gains from net assets under CGAAP to accumulated remeasurement gains in the statement of financial position.

5. **Long-term investments**

The Hospital has internally restricted \$2,604,431 (2012 - \$ 2,519,665) for the future acquisition of CT Scan equipment. The original restricted amount was \$2,000,000 in 2004 and has earned both realized and unrealized investment income as at March 31, 2013.

	2013 Market Value	2012 Market Value
Long-term investments - restricted	\$ 2,604,431	\$ 2,519,665
Long-term investments - unrestricted	1,812,676	1,977,868
	<u>\$ 4,417,107</u>	<u>\$ 4,497,533</u>

The Hospital maintains a diversified portfolio of long-term investments including cash and cash equivalents, fixed income and equity instruments.

TEMISKAMING HOSPITAL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

6. **Capital assets**

	Cost	Accumulated Amortization	2013 Net Book Value	2012 Net Book Value
Plant and property	\$ 24,812,350	\$ 11,266,450	\$ 13,545,900	\$ 12,231,065
Equipment and furnishings	11,283,064	9,210,255	2,072,809	2,183,685
Computer software licenses and systems training	618,886	611,994	6,892	17,229
	<u>\$ 36,714,300</u>	<u>\$ 21,088,699</u>	<u>\$ 15,625,601</u>	<u>\$ 14,431,979</u>

7. **Accounts payable and accrued liabilities**

The March 31, 2013 balance of accounts payable and accrued liabilities includes an amount payable to the former CEO of the Hospital representing contractual severance per his employment agreement which is payable over eighteen months from the date of his departure December 31, 2012.

8. **Deferred revenue**

Deferred revenue related to expenses of future periods represents the unspent portion of externally restricted funds received for various purposes.

9. **Deferred donations**

	2013	2012
Donations for capital assets	\$ 1,613,082	\$ 1,589,327
Less: Accumulated amortization of donations for capital assets	<u>1,484,725</u>	<u>1,428,532</u>
Balance, end of year	<u>\$ 128,357</u>	<u>\$ 160,795</u>

10. **Deferred Ministry of Health and Long Term Care Grants**
Deferred capital grants

	2013	2012
PACS	\$ -	\$ 356,636
Chiller	437,545	437,545
Cancer Care equipment	9,000	9,000
Sprinkler system	144,605	144,605
Renovations	198,750	198,750
Health Infrastructure Renewal Fund – 06/07	181,364	181,364
Health Infrastructure Renewal Fund – 07/08	159,922	159,922
Health Infrastructure Renewal Fund – 08/09	188,767	188,767
Health Infrastructure Renewal Fund – 09/10	211,750	211,750
Health Infrastructure Renewal Fund – 10/11	211,750	211,750
Cancer Care equipment	11,000	11,000
Health Infrastructure Renewal Fund – 11/12	245,320	245,320
Health Infrastructure Renewal Fund – 12/13	82,132	-
	<u>2,081,905</u>	<u>2,356,409</u>
Less: Accumulated amortization	<u>711,394</u>	<u>965,799</u>
Balance, end of year	<u>\$ 1,370,511</u>	<u>\$ 1,390,610</u>

TEMISKAMING HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2013

11. Accrued benefit liability

The Hospital provides extended health care, dental and life insurance benefits to substantially all employees. The cost of premiums for these benefits is shared by the Hospital and the employees.

At March 31, 2013, the Hospital's accrued benefit liability relating to post-retirement benefit plans is \$1,415,934 (current portion \$57,094, long term portion \$1,358,840).

The significant actuarial assumptions adopted in estimating the Hospital's accrued benefit are as follows:

Discount rate	3.9% per annum
Dental benefits cost escalation	4.0% per annum
Medical benefits cost escalation – extended health care	8.0% for 2013 grading down to an ultimate rate of 4.5% in 2020

Included in employee benefits on the Statement of Operations is an amount of \$112,396 (2012 - \$126,992) regarding employee future benefits.

The accrued benefit liability has been determined by an actuary based on an actuarial valuation performed in March 2013. There are no assets associated with the Hospital's Plan.

12. Pension plan

Substantially all of the full-time and part-time employees of the Hospital are eligible to be members of the Hospital of Ontario Pension Plan, which is a multi-employer final average pay contributory pension plan. Employer contributions made to the plan by the Hospital during the year amounted to \$1,051,442 (2012 \$976,204).

13. Changes in net assets

To improve presentation, additions to and withdrawals from net assets were shown in the Statement of Changes in Net Assets to allow for transfers between unrestricted and restricted net assets and to allow for fairer allocation of the related investment management fees.

14. Comparative figures

Certain figures from the March 31, 2012 financial statements have been reclassified to provide a better comparison with the current year.

15. Financial instrument risk management

The Hospital is exposed to various risks through its financial instruments. The following analysis provides a measure of the Hospital's risk exposure and concentrations at March 31, 2013, March 31, 2012 and April 1, 2011.

Credit risk

The Hospital is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that the Hospital could incur a financial loss.

TEMISKAMING HOSPITAL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

15. **Financial instrument risk management- continued**

Credit risk - continued

Cash and investments: Credit risk associated with cash and investments is minimized substantially by ensuring that these assets are invested in financial obligations of: governments, major financial institutions that have been accorded investment grade ratings by a primary rating agency; and/or other credit-worthy parties. An ongoing review is performed to evaluate changes in the status of the issuers of securities authorized for investment under the investment policy of the Hospital.

Receivables: The Hospital does not have significant exposure to any individual or party. A large portion of the Hospital's receivables are due from other levels of government. The Hospital measures its exposure to credit risk on receivables based on factors surrounding the risk related to specific accounts, historical trends and other information. An allowance for doubtful accounts is set up based on the Hospital's historical experience regarding collections.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity risk

Liquidity risk is the risk that the Hospital will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of the Hospital not being able to liquidate assets in a timely manner at a reasonable price.

The Hospital meets its liquidity requirements by monitoring cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The exposure of the Hospital to interest rate risk arises from its interest bearing assets.

The Hospital's cash includes amounts on deposit with financial institutions that earn interest at market rates.

The Hospital manages its exposure to the interest rate risk of its cash by maximizing the interest income earned on excess funds while maintaining the minimum liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the Hospital's result of operations.

TEMISKAMING HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2013

15. **Financial instrument risk management- continued**

Interest rate risk - continued

The primary objective of the Hospital with respect to its investments in fixed income investments is to ensure the security of principal amounts invested and provide for a high degree of liquidity, while achieving a satisfactory investment return as articulated in the Hospital's investment policy.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

16. **Bad debts**

In the year, one of the Hospital's third party tenants vacated their leased space and stopped paying rent despite there being seven years remaining on the lease. After consultations with legal counsel, the Hospital determined that this tenant's actions constituted a breach of the lease arrangement and the Hospital is entitled to legal recourse. The Hospital is working with potential new tenants on new leases in order to mitigate losses resulting from the breach. Once these new lease arrangements are completed, the liability of the old tenant will be measurable and the Hospital will pursue legal action against the old tenant.