

**COLLINGWOOD
GENERAL AND MARINE HOSPITAL
FINANCIAL STATEMENTS
MARCH 31, 2011**

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GAVILLER & COMPANY LLP
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the members of the Collingwood General and Marine Hospital:

Report on the Financial Statements

We have audited the accompanying financial statements of Collingwood General and Marine Hospital, which comprise the balance sheet as at March 31, 2011, and the statements of operations, changes in net assets and cash flow 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 Organization'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 Organization'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 Collingwood General and Marine Hospital 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.

Gaviller & Company LLP


Licensed Public Accountants
Collingwood, Ontario
May 26, 2011


COLLINGWOOD GENERAL AND MARINE HOSPITAL

BALANCE SHEET AS AT MARCH 31

	2011 \$	2010 \$
ASSETS		
CURRENT		
Cash	771,008	2,586,270
Accounts Receivable (Note 7)	4,808,725	2,286,958
Inventories (Note 3)	235,581	269,613
Prepaid Expenses	345,423	278,637
Total Current Assets	6,160,737	5,421,478
CAPITAL (Note 4)	24,286,984	22,535,968
	30,447,721	27,957,446
LIABILITIES		
CURRENT		
Bank Loan (Note 16)	803,160	0
Accounts Payable and Accruals	6,681,560	6,253,733
Total Current Liabilities	7,484,720	6,253,733
EMPLOYEE FUTURE BENEFITS (Note 8)	794,815	706,917
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 5)	22,148,355	20,765,215
NET ASSETS		
Invested in Capital Assets (Note 6)	2,138,629	1,770,753
Unrestricted	(2,118,798)	(1,539,172)
Total Net Assets	19,831	231,581
	30,447,721	27,957,446

APPROVED ON BEHALF OF THE BOARD:





See accompanying notes to the financial statements

COLLINGWOOD GENERAL AND MARINE HOSPITAL

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31

	2011	2010
	\$	\$
REVENUES		
Ministry of Health - Patient Services	32,531,613	31,493,267
Patient Services - Other	8,276,568	7,776,821
Inpatient Services	313,906	253,112
Differential Accommodation	421,539	528,475
Dietary Recoveries, Ambulance, Investment and Other Income	1,841,733	1,659,849
Amortization of Deferred Contributions - Equipment	1,239,701	1,262,170
	44,625,060	42,973,694
EXPENSES		
Salaries and Wages	21,844,068	21,373,281
Medical Staff Remuneration	6,752,187	6,333,820
Employee Benefits	5,272,467	4,974,646
Supplies and Other	6,038,838	6,126,872
Medical and Surgical Supplies	2,728,869	2,681,997
Drugs and Gases	1,065,645	1,000,937
Bad Debts	50,000	34,573
Amortization of Equipment	1,239,701	1,262,170
	44,991,775	43,788,296
Deficiency of revenue over expenses before other votes & programs	(366,715)	(814,602)
OTHER ITEMS		
Prior Year Funding Reconciliation	154,965	124,120
OTHER VOTES AND PROGRAMS (Note 11)		
Revenue	1,653,098	1,621,725
Expense	(1,653,098)	(1,621,725)
Net Other Votes and Programs	0	0
Net Operating Loss	(211,750)	(690,482)
BUILDING AND LAND IMPROVEMENTS		
Amortization of Deferred Contributions	695,874	601,774
Amortization of Building and Equipment	(695,874)	(601,774)
Net Amortization	0	0
DEFICIENCY OF REVENUE OVER EXPENSES FOR THE YEAR	(211,750)	(690,482)

See accompanying notes to the financial statements

COLLINGWOOD GENERAL AND MARINE HOSPITAL

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31

	Invested in Capital Assets	Unrestricted	2011 Total	2010 Total
	\$	\$	\$	\$
BALANCE, Beginning of Year	1,770,753	(1,539,172)	231,581	922,063
Deficiency of revenue over expenses	0	(211,750)	(211,750)	(690,482)
Investment in Capital Assets (Note 6)	367,876	(367,876)	-	-
BALANCE, End of Year	2,138,629	(2,118,798)	19,831	231,581

See accompanying notes to the financial statements

COLLINGWOOD GENERAL AND MARINE HOSPITAL

STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31

	2011	2010
	\$	\$
CASH FLOWS FROM (FOR) OPERATING ACTIVITIES		
Deficiency of Revenue Over Expenses for the year	(211,750)	(690,482)
Items Not Involving Cash		
Amortization of Capital Assets	1,935,575	1,863,944
Loss on Sale of Capital Assets	-	17
Amortization of Deferred Contributions	(1,935,575)	(1,863,944)
	(211,750)	(690,465)
Changes in		
Accounts Receivable	(986,211)	(28,634)
Inventories	34,032	32,874
Prepaid Expenses	(66,786)	(170,796)
Accounts Payable and Accruals	750,581	599,614
Employee Future Benefits	87,898	118,582
	(392,236)	(138,825)
FINANCING ACTIVITIES		
Deferred Contributions	3,318,715	2,784,974
Bank Loan	803,160	0
	4,121,875	2,784,974
INVESTING ACTIVITIES		
Capital Asset Acquisitions	(3,686,591)	(2,946,587)
Proceeds From Sale of Capital Assets	-	5,278
Accounts Receivable for Capital Asset Acquisitions	(1,535,556)	(1,054,084)
Accounts Payable for Capital Asset Acquisitions	(322,754)	736,176
	(5,544,901)	(3,259,217)
CHANGE IN CASH POSITION DURING THE YEAR	(1,815,262)	(613,068)
Cash Position, Beginning of Year	2,586,270	3,199,338
CASH POSITION END OF YEAR	771,008	2,586,270

See accompanying notes to the financial statements

COLLINGWOOD GENERAL AND MARINE HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 2011

1. PURPOSE OF THE ORGANIZATION

The corporation was incorporated under the Canada Corporation Act by Parliamentary assent on June 23, 1887 to establish a hospital for the assistance, benefit and relief of persons sick or injured by accidents. It is an exempt corporation under the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Definition

The accounting policies of the Hospital are in accordance with Ontario Ministry of Health accounting guidelines and the Canadian Institute of Chartered Accountants' handbook.

(b) Revenue recognition

The Hospital follows the deferral method of accounting for contributions. Contributions relating to depreciable capital assets are deferred and amortized over the useful life of the depreciable capital asset acquired. Contributions relating to non-depreciable assets are recognized as direct increases to net assets. Restricted contributions for operations are recognized as revenue in the year in which the related expenses are incurred. 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.

(c) Capital assets

Capital assets are recorded at cost. Capital assets are amortized on a straight line basis over their estimated useful life using rates established by management information system guidelines as approved by the Ministry of Health, ranging from 2% to 33%.

(d) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first in, first out method.

(e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These may affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Employee future benefits are a significant area where estimates are used. An actuarial report is completed to provide measurement of that estimate.

(f) Intangible assets

Intangible assets are externally acquired and are stated at cost. Amortization at the rate of 33% is provided on a straight-line basis over their estimated useful service lives established by management information system guidelines as approved by the Ministry of Health.

COLLINGWOOD GENERAL AND MARINE HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Allocation of expenses

The Hospital allocates general administration costs to Mental Health and Diabetes programs. Of the total costs of \$3,679,558 (2010 - \$3,614,437) an allocation of \$77,769 (2010 - \$72,750) was made to the Mental Health program and \$47,050 (2010 - \$40,679) to the Diabetes program. The allocation is calculated from a base amount plus any additional direct expenditure.

3. INVENTORIES

Inventories consist of:

	2011	2010
	\$	\$
Gift Shop	42,128	35,473
Drugs	171,620	183,911
Other	21,833	50,229
	<u>235,581</u>	<u>269,613</u>

COLLINGWOOD GENERAL AND MARINE HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 2011

4. CAPITAL

	2011	2010
COST	\$	\$
Land and Improvements	725,417	681,180
Buildings	22,477,880	22,480,676
Equipment and Furnishings	19,864,509	19,688,118
Computer Software	1,860,848	1,842,525
Construction in Progress	1,996,097	1,128,891
	46,924,751	45,821,390
 ACCUMULATED DEPRECIATION		
Land Improvements	493,131	454,645
Buildings	6,047,733	5,523,161
Computer Software	1,686,194	1,548,008
Equipment and Furnishings	14,410,709	15,759,608
	22,637,767	23,285,422
	24,286,984	22,535,968

Assets included in Construction in Progress are not amortized until available for use.

5. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent contributions restricted by the donors for the purchase of capital assets. The changes in the deferred contributions balance for the period are as follows:

	2011	2010
	\$	\$
Balance, Beginning of Year	20,765,215	19,844,185
Donations From the Collingwood General & Marine Hospital Foundation	2,894,199	1,925,786
Government Grants	424,516	859,188
Amortization of Deferred Contributions	(1,935,575)	(1,863,944)
	22,148,355	20,765,215

Deferred Contributions of \$1,996,095 (2010 - \$1,667,123) are not being amortized as these funds are for assets yet to be acquired. \$1,996,095 (2010-\$1,115,138) of this is due to construction in progress amounts for the clinical redevelopment project.

COLLINGWOOD GENERAL AND MARINE HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 2011

6. NET ASSETS INVESTED IN CAPITAL ASSETS

Net assets invested in capital assets is comprised of the following:

	2011	2010
	\$	\$
Capital assets	24,286,984	22,535,968
Deferred contributions related to capital assets	(22,148,355)	(20,765,215)
Total net capital assets	<u>2,138,629</u>	<u>1,770,753</u>

Investment in capital assets is reconciled as follows:

	2011
	\$
Purchases of capital assets, net of proceeds on sale of capital assets	3,686,591
Government grants received and receivable	(424,516)
Donations from the Collingwood General & Marine Hospital Foundation	<u>(2,894,199)</u>
Total investment in capital assets during the year	<u>367,876</u>

7. RELATED PARTY TRANSACTIONS

Accounts receivable includes \$2,309,510 (2010 – \$714,997) from the Collingwood General & Marine Hospital Foundation. The Foundation is currently engaged in a major capital campaign and intends to forward funds to the Hospital as they become available.

The Collingwood General & Marine Hospital Foundation was founded to receive, accumulate and distribute funds and/or the income therefrom for the benefit of the Hospital. The Foundation is incorporated under the Ontario Corporations Act and is a registered charity under the Income Tax Act. The Hospital has representation on the Foundation's Board of Directors. Net resources of the Foundation must be provided to the Hospital or used for the Hospital's benefit according to the Foundation's bylaws. Thus, as defined in the accounting recommendations of the Canadian Institute of Chartered Accountants, the Hospital has an economic interest in the Foundation.

COLLINGWOOD GENERAL AND MARINE HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 2011

7. RELATED PARTY TRANSACTIONS (continued)

The Foundation has not been consolidated in the Hospital's financial statements. Financial statements of the Foundation are available on request. Audited financial summaries for the Foundation as at December 31, 2010 and 2009 are as follows:

	2010	2009
	\$	\$
Financial position		
Total assets	11,284,232	9,808,479
Total liabilities	142,908	440,409
Total net assets	<u>11,141,324</u>	<u>9,368,070</u>
Results of operations		
Total revenue	3,848,444	3,465,028
Total expenses	795,955	691,010
Excess of revenue over expenses	<u>3,052,489</u>	<u>2,774,018</u>
Cash flows		
Cash from operations	2,494,655	2,182,552
Cash used in investing and financing activities	(2,366,968)	(1,933,580)
Change in cash	<u>127,687</u>	<u>248,972</u>

8. EMPLOYEE FUTURE BENEFITS

The employees of the Collingwood General and Marine Hospital participate in the Hospitals of Ontario Pension Plan ("HOOPP"). Although the plan has a defined retirement benefit for employees, the related obligation of individual hospitals cannot be identified. The HOOPP plan has several unrelated participating hospitals. During the year the Collingwood General and Marine Hospital made contributions of \$1,823,826 (2010 - \$1,738,631) to the HOOPP plan.

The Hospital provides extended health care, dental benefits and life insurance to substantially all full-time employees. At March 31, 2011, the Hospital's future benefit obligation relating to post-retirement benefits using assumptions detailed in the actuarial valuation dated March 31, 2011 is \$1,661,000 (2010 - \$1,073,800). The portion of this benefit obligation included on the Balance Sheet at March 31, 2011 is \$794,815 (2010 - \$706,917). Significant fluctuations in anticipated healthcare costs are not expected to materially affect the accrued liability benefit. Actuarial valuations will be prepared every third year or when there are significant changes in the workforce.

COLLINGWOOD GENERAL AND MARINE HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 2011

8. EMPLOYEE FUTURE BENEFITS (continued)

Information about the hospital's benefit obligation is as follows:

	2011	2010
	\$	\$
ACCRUED BENEFIT OBLIGATION		
Balance beginning of period	1,073,800	989,100
Service cost for one year	52,000	48,400
Interest on the accrued benefit obligation	81,800	76,300
Prior service costs	-	-
Expected benefit payments/contributions	(71,600)	(40,000)
Experience loss	525,000	-
	1,661,000	1,073,800
Unamortized prior service costs	(151,600)	(174,300)
Unamortized net actuarial loss	(714,585)	(192,583)
	794,815	706,917

The significant actuarial assumptions included in the actuarial report dated March 31, 2011 and adopted in estimating the Hospital's accrued benefit obligation are as follows:

Discount Rate	5.0%
Dental Benefits Cost Escalation	4.0%
Extended Health Care Cost Escalation	9.0% decreasing .5% annually to 5.0%

Employee benefits expense for 2011 includes \$159,500 (2010 - \$154,900) for employee future benefits. During the year, actual payments for extended health care, dental and life insurance premiums of \$71,602 (2010 - \$36,318) were made for retired employees.

9. FINANCIAL INSTRUMENTS

The Hospital's financial instruments consist of cash, accounts receivable, bank loan and accounts payable. It is management's opinion that the Hospital is not exposed to significant interest, currency or credit risks arising from these instruments.

COLLINGWOOD GENERAL AND MARINE HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 2010

10. MINISTRY OF HEALTH/PHYSICIAN AGREEMENTS

ALTERNATIVE FUNDING AGREEMENT

The hospital has an agreement with the Emergency Physicians and the Ministry of Health for alternative funding for emergency services. The revenue and expenses included in the statement of operations are as follows:

	2011	2010
	\$	\$
Revenue – MOHLTC	2,818,022	2,607,449
Expenses - Physician Remuneration	2,791,123	2,596,379
- Other	499	2,270
	<hr/>	<hr/>
AFA Contribution to Hospital	26,400	8,800
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PHYSICIAN ON CALL COVERAGE

The Hospital has an agreement with the Ministry of Health for Physician on Call Coverage. The revenue and expenses included in the statement of operations are as follows:

	2011	2010
	\$	\$
Revenue – MOHLTC	1,276,007	1,282,152
Expenses - Physician Remuneration	1,278,004	1,271,744
	<hr/>	<hr/>
HOCC Agreement Contribution (Deficit) to Hospital	(1,997)	10,408
	<hr/> <hr/>	<hr/> <hr/>

COLLINGWOOD GENERAL AND MARINE HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 2011

11. OTHER VOTES & PROGRAMS – REVENUE AND EXPENSE

	2011	2010
	\$	\$
REVENUE		
Community Mental Health Programs	1,197,755	1,181,397
Psychogeriatric Program	205,178	201,155
Diabetes Program	244,015	236,015
Municipal Taxes	6,150	6,150
	1,653,098	1,624,717
EXPENSE		
Community Mental Health	703,550	735,793
Crisis Intervention	195,870	234,456
Case Management	298,335	211,148
Psychogeriatric Program	205,178	201,155
Diabetes Program	244,015	233,023
Municipal Taxes	6,150	6,150
	1,653,098	1,621,725
	0	2,992
DOLLARS RECOVERABLE BY MOH		
Diabetes Program	0	2,992
Community Mental Health Programs	0	0
	0	0
NET OTHER VOTES AND PROGRAMS	0	0

12. CAPITAL DISCLOSURES

The Hospital defines capital as its net assets. The Hospital's overall objective with respect to its capital is to fund capital assets, future projects and ongoing operations. The Hospital is not subject to externally imposed capital requirements and its overall strategy with respect to capital remains unchanged from the year ended March 31, 2010.

COLLINGWOOD GENERAL AND MARINE HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 2011

13. CONTINGENCIES

In the ordinary course of business, various claims and lawsuits are brought against the Hospital. It is the opinion of management that the settlement of these actions will not result in any material liabilities beyond any amounts already accrued.

14. FUTURE ACCOUNTING PRONOUNCEMENTS

The Accounting Standards Board (AcSB) responsible for the accounting standards for private sector not-for-profit organizations has decided to replace the existing set of accounting standards known as GAAP. The AcSB has concluded that Not-for-Profit organizations will be given a choice of adopting International Financial Reporting Standards (IFRS) or Canadian Accounting Standards for Not-for-Profit Organizations (a new set of standards for not-for-profit organizations currently under development). Adoption of a new standard is not expected until 2012 and the impact of the changes on the financial statements and the audit process are not yet determinable.

15. CAPITAL ASSET COMMITMENTS

The Hospital is currently in Phase 1 of a redevelopment project. Costs in the amount of \$1,845,550 of the total approved cost of \$4,694,201 have been incurred to date. The balance of cost for the project will likely be incurred in the 2011/12 fiscal year.

The Hospital has committed to implementing a new patient television system (Medvista TV) in the 2011/12 fiscal year. As of March 31, 2011 expenses in the amount of \$96,622 have been incurred of the \$322,073 total project.

16. BANK LOAN

As of March 31, 2011, the Hospital has accessed \$803,160 of the maximum \$4.2 million line of credit available relative to the Diagnostic Imaging PACS system that was implemented during the fiscal year. Interest is paid monthly at the rate of Prime -.65%, balance due by December 31, 2016. This project will be funded by the Foundation as part of the current capital campaign.