

**COLLINGWOOD
GENERAL AND MARINE HOSPITAL
FINANCIAL STATEMENTS
MARCH 31, 2006**

CONTENTS

	Page
Auditors' Report	1
Balance Sheet	2
Statement of Operations	3
Statement of Changes in Net Assets	4
Statement of Cash Flow	5
Notes to the Financial Statements	6

GAVILLER & COMPANY LLP
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the members of the
Collingwood General and Marine Hospital:

We have audited the balance sheet of **Collingwood General and Marine Hospital** as at March 31, 2006, and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Collingwood General and Marine Hospital as at March 31, 2006 and the results of its operations and the changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Gaviller & Company LLP

Chartered Accountants
Collingwood, Ontario
May 5, 2006

COLLINGWOOD GENERAL AND MARINE HOSPITAL

BALANCE SHEET AS AT MARCH 31

	2006	2005
	\$	\$
ASSETS		
CURRENT		
Cash	600,627	1,266,059
Accounts Receivable (Note 6)	2,164,127	1,665,681
Inventories	172,897	161,237
Prepaid Expenses	174,742	185,394
	<hr/>	<hr/>
Total Current Assets	3,112,393	3,278,371
	<hr/>	<hr/>
CAPITAL (Note 3)	24,174,573	25,195,466
	<hr/>	<hr/>
	27,286,966	28,473,837
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LIABILITIES		
CURRENT		
Accounts Payable and Accruals	3,652,502	4,028,553
	<hr/>	<hr/>
EMPLOYEE FUTURE BENEFITS (Note 7)	322,044	269,451
	<hr/>	<hr/>
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 4)	21,652,533	22,459,155
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NET ASSETS		
Invested in Capital Assets (Note 5)	2,522,040	2,736,311
Unrestricted	(862,153)	(1,019,633)
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Total Net Assets	1,659,887	1,716,678
	<hr/>	<hr/>
	27,286,966	28,473,837
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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

	2006	2005
	\$	\$
REVENUES		
Ministry of Health - Patient Services	25,656,635	24,291,618
Patient Services - Other	2,755,716	2,590,173
Inpatient Services	109,365	160,293
Differential Accommodation	587,247	589,322
Dietary Recoveries, Ambulance, Investment and Other Income	1,144,754	1,224,490
Amortization of Deferred Contributions - Equipment	1,800,739	1,810,767
	32,054,456	30,666,663
EXPENSES		
Salaries and Wages	17,255,593	16,764,687
Medical Staff Remuneration	1,816,290	1,752,891
Employee Benefits	3,938,687	3,773,711
Supplies and Other	4,465,136	4,266,598
Medical and Surgical Supplies	1,743,633	1,507,144
Drugs and Gases	740,437	724,790
Bad Debts	31,516	35,435
Depreciation - Equipment	2,067,258	2,021,639
	32,058,550	30,846,895
Excess of Operating Expenses Over Operating Revenues From Hospital Operations	(4,094)	(180,232)
BUILDING AND LAND IMPROVEMENTS		
Amortization of Deferred Contributions	561,607	565,359
Depreciation	(584,304)	(592,803)
	(22,697)	(27,444)
OTHER VOTES AND PROGRAMS (NOTE 9)		
Revenue	3,489,672	2,975,377
Expense	(3,519,672)	(2,975,377)
	(30,000)	0
EXCESS OF EXPENSES OVER REVENUES FOR THE YEAR	(56,791)	(207,676)

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	2006 Total	2005 Total
	\$	\$	\$	\$
BALANCE, Beginning of Year	2,736,311	(1,019,633)	1,716,678	1,924,354
Excess of Revenues Over Expenses (Expenses Over Revenues)	(340,155)	283,364	(56,791)	(207,676)
Investment in Capital Assets (Note 5)	125,884	(125,884)	-	-
BALANCE, End of Year	<u>2,522,040</u>	<u>(862,153)</u>	<u>1,659,887</u>	<u>1,716,678</u>

See accompanying notes to the financial statements

COLLINGWOOD GENERAL AND MARINE HOSPITAL

STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31

	2006 \$	2005 \$
CASH FLOWS FROM (FOR) OPERATING ACTIVITIES		
Excess of Expenses Over Revenues for the year	(56,791)	(207,676)
Items Not Involving Cash		
Depreciation	2,651,562	2,614,442
Loss (Gain) on Sale of Capital Assets	50,939	(15,246)
Amortization of Deferred Contributions	(2,362,346)	(2,376,126)
	283,364	15,394
Changes in		
Accounts Receivable	(668,870)	1,379,155
Inventories	(11,660)	(49,221)
Prepaid Expenses	10,652	(33,256)
Accounts Payable and Accruals	(69,865)	304,067
Employee Future Benefits	52,593	8,352
	(403,786)	1,624,491
FINANCING ACTIVITIES		
Deferred Contributions	1,555,724	2,417,527
INVESTING ACTIVITIES		
Capital Asset Acquisitions	(1,682,820)	(1,976,996)
Proceeds From Sale of Capital Assets	1,212	17,500
Accounts Receivable for Capital Acquisitions	170,424	(390,929)
Accounts Payable for Capital Acquisitions	(306,186)	(152,590)
	(1,817,370)	(2,503,015)
CHANGE IN CASH POSITION DURING THE YEAR	(665,432)	1,539,003
Cash Position, Beginning of Year	1,266,059	(272,944)
CASH POSITION END OF YEAR	600,627	1,266,059

See accompanying notes to the financial statements

COLLINGWOOD GENERAL AND MARINE HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 2006

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. Depreciation is provided to amortize the cost of the assets over their estimated useful lives using the straight-line method at rates established by management information system guidelines as approved by the Ministry of Health, ranging from 2% to 20%. Depreciation expense, which is funded by the Ministry of Health, has been segregated and identified as depreciation - equipment.

(d) Inventories

Inventories include only those items in the general storeroom, gift shop and pharmacy. Inventories are valued at the lower of cost and replacement cost.

COLLINGWOOD GENERAL AND MARINE HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 2006

3. CAPITAL

	2006	2005
	\$	\$
COST		
Land and Improvements	707,641	707,641
Buildings	22,008,884	21,833,293
Equipment and Furnishings	21,866,547	21,117,598
Construction in Progress	114,811	114,812
	44,697,883	43,773,344
 ACCUMULATED DEPRECIATION		
Land Improvements	432,182	407,930
Buildings	3,625,050	3,161,388
Equipment and Furnishings	16,466,078	15,008,560
	20,523,310	18,577,878
	24,174,573	25,195,466

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

4. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

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

	2006	2005
	\$	\$
Balance, Beginning of Year	22,459,155	22,417,754
Donations From the Collingwood General & Marine Hospital Foundation and Hospital Staff	1,246,826	1,803,806
Government Grants	308,898	613,721
Amortization of Deferred Contributions	(2,362,346)	(2,376,126)
	21,652,533	22,459,155
	21,652,533	22,459,155

COLLINGWOOD GENERAL AND MARINE HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 2006

5. NET ASSETS INVESTED IN CAPITAL ASSETS

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

	2006	2005
	\$	\$
Capital assets	24,174,573	25,195,466
Deferred contributions related to capital assets	(21,652,533)	(22,459,155)
Total net capital assets	<u>2,522,040</u>	<u>2,736,311</u>

Investment in capital assets is reconciled as follows:

	2006
	\$
Purchases of capital assets, net of proceeds on sale of capital assets	1,681,608
Government grants received and receivable	(308,898)
Donations from the Collingwood General & Marine Hospital Foundation and Hospital Staff	<u>(1,246,826)</u>
Total investment in capital assets during the year	<u>125,884</u>

6. RELATED PARTY TRANSACTIONS

Accounts receivable includes \$276,956 (2004/05 – \$113,729) from the Collingwood General & Marine Hospital Foundation.

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 and, according to the Foundation's bylaws, all resources of the Foundation must be provided to the Hospital or used for the Hospital's benefit. 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, 2006

6. 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 of this unconsolidated entity as at December 31, 2005 and 2004 and for the years then ended are as follows:

	2005	2004
	\$	\$
Financial position		
Total assets	7,888,786	7,205,414
Total liabilities	309,973	71,334
Total net assets	<u>7,578,813</u>	<u>7,134,080</u>
Results of operations		
Total revenues	2,224,546	2,293,151
Total expenses	464,956	427,070
Excess of revenues over expenses	<u>1,759,590</u>	<u>1,866,081</u>
Cash flows		
Cash from operations	1,746,328	1,711,164
Cash used in investing and financing activities	(2,069,886)	(2,316,420)
Change in cash	<u>(323,558)</u>	<u>(605,256)</u>

7. 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 \$1,397,986 (2004/05 - \$1,265,000) to the HOOPP plan.

The Hospital provides extended health care, dental benefits and life insurance to substantially all full-time employees. At March 31, 2006, the Hospital's accrued benefit obligation relating to post-retirement benefits using assumptions detailed in the actuarial valuation dated April 5, 2006 is \$682,300 (2004/05 - \$299,800). The portion of this accrued benefit obligation which is included on the Balance Sheet at March 31, 2006 is \$322,044 (2004/05 - \$269,451). 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, 2006

7. EMPLOYEE FUTURE BENEFITS (continued)

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

	2006	2005
	\$	\$
ACCRUED BENEFIT OBLIGATION		
Balance beginning of period	299,800	300,200
Loss due to change in assumptions	168,800	-
Loss due to new members and demographic changes	98,700	-
Past service liability due to addition of OPSEU benefits	26,400	-
	593,700	300,200
Revised Actuarial Balance 2005	593,700	300,200
Service cost for one year	22,400	8,900
Interest on the accrued benefit obligation	34,700	19,200
Expected benefit payments/contributions	(24,500)	(28,500)
Experience loss due to interest rate change at March 31/06	56,000	-
	682,300	299,800
Unamortized prior service costs	(23,800)	
Unamortized net actuarial loss	(336,456)	(30,349)
	322,044	269,451

The significant actuarial assumptions included in the actuarial report dated April 5, 2006 and adopted in estimating the Hospital's accrued benefit obligation are as follows:

Discount Rate	5.75%
General Inflation	3.0%
Dental Benefits Cost Escalation	4.0%
Extended Health Care Cost Escalation	10.5% decreasing 1% annually to 4.5%

Employee benefits expense for 2005/2006 includes \$76,700 (2004/05 - \$28,500) for employee future benefits. During the year, actual payments for extended health care, dental and life insurance premiums of \$24,108 (2004/05 - \$20,148) were made for retired employees.

COLLINGWOOD GENERAL AND MARINE HOSPITAL

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 2006

8. FINANCIAL INSTRUMENTS

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

9. OTHER VOTES & PROGRAMS – REVENUE AND EXPENSE

	2006	2005
	\$	\$
REVENUE		
Hospital On Call Program	518,000	398,000
Alternate Funding Agreement	1,717,577	1,529,887
Community Mental Health	593,881	707,117
Crisis Intervention	169,095	27,843
Case Management	227,859	84,060
Psychogeriatric Program	186,674	183,916
Diabetes Program	70,436	38,404
Municipal Taxes	6,150	6,150
	3,489,672	2,975,377
EXPENSE		
Hospital On Call Program	548,000	398,000
Alternate Funding Agreement	1,717,577	1,529,887
Community Mental Health	593,881	707,117
Crisis Intervention	169,095	27,843
Case Management	227,859	84,060
Psychogeriatric Program	186,674	183,916
Diabetes Program	70,436	38,404
Municipal Taxes	6,150	6,150
	3,519,672	2,975,377
EXCESS OF EXPENDITURES OVER REVENUE	(30,000)	-

10. COMPARATIVE FIGURES

Certain prior year's figures have been reclassified to conform to the current year's financial statement presentation.