

**THE MCCAUSLAND HOSPITAL**  
**FINANCIAL STATEMENTS**  
**MARCH 31, 2008**

**Contents**

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## AUDITORS' REPORT

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To the Members and Board of Directors of The McCausland Hospital -

We have audited the balance sheet of The McCausland Hospital as at March 31, 2008 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 Hospital as at March 31, 2008 and the results of its operations and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Thunder Bay, Ontario

May 28, 2008

Chartered Accountants  
Licensed Public Accountants

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**THE MCCAUSLAND HOSPITAL**
**BALANCE SHEET**

<b>As at March 31</b>	<b>2008</b>	<b>2007</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash		
Restricted	\$ 288,706	\$ 330,020
Unrestricted	315,262	265,115
Accounts receivable	267,140	470,906
Inventory (Note 3)	104,229	89,287
Prepaid expenses	37,316	30,970
	1,012,653	1,186,298
<b>Recoverable employee benefits</b>	<b>53,985</b>	<b>55,293</b>
<b>Capital assets (Note 4)</b>	<b>1,798,688</b>	<b>1,736,400</b>
	<b>\$ 2,865,326</b>	<b>\$ 2,977,991</b>

**LIABILITIES**

<b>Current</b>		
Accounts payable and accruals	\$ 845,834	\$ 471,632
Deferred operating contributions	-	7,800
Current portion of obligation under capital lease (Note 5)	1,453	-
	847,287	479,432
<b>Due to Foundation</b>	<b>75,000</b>	<b>75,000</b>
<b>Obligation under capital lease (Note 5)</b>	<b>8,777</b>	<b>-</b>
<b>Deferred capital contributions (Note 6)</b>	<b>1,274,568</b>	<b>1,303,374</b>
<b>Employee future benefits (Note 7)</b>	<b>182,878</b>	<b>181,308</b>
<b>Contingent liabilities (Note 8)</b>		

**NET ASSETS**

Unrestricted	(336,010)	175,831
Investment in capital assets (Note 9a)	812,826	763,046
	476,816	938,877
	<b>\$ 2,865,326</b>	<b>\$ 2,977,991</b>

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**Approved on behalf of the Board of Directors**


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**Director**


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**Director**

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**THE MCCAUSLAND HOSPITAL**
**STATEMENT OF OPERATIONS**

Year ended March 31	2008	2007
<b>Revenue</b>		
Ministry of Health and Long-Term Care		
Operating grant	\$ 4,534,054	\$ 4,401,911
Other programs	1,725	1,725
	4,535,779	4,403,636
Ancillary rentals	37,801	24,640
Interest	30,525	27,218
Other	295,571	233,588
Patient services	404,535	432,577
Amortization of deferred capital contributions - equipment and information systems	149,775	135,389
	5,453,986	5,257,048
<b>Expenditures</b>		
Salaries and benefits		
Medical staff remuneration	36,927	23,917
Nursing	1,386,580	1,291,471
Other patient care services	539,027	502,588
Administrative (Note 8)	687,368	419,445
Support services	806,052	806,380
Employee benefits	823,948	759,512
Medical and surgical supplies	33,563	41,866
Drugs	44,693	55,885
Nursing and other patient care supplies	271,940	278,926
Affiliate facility program	11,012	10,768
Meals on Wheels	63,923	59,270
Northern Diabetes Health Network program	44,426	43,067
Handi-Transit program	34,116	33,591
Administrative supplies and services (Note 8)	316,150	218,865
Food and supplies	128,014	126,504
Fuel	126,160	90,729
Electricity and water	64,250	93,296
Maintenance supplies and services	90,509	69,264
Supportive services	46,038	42,062
Rental	10,946	2,760
Bad debts	4,528	3,780
Amortization of equipment and information systems	192,702	189,499
	5,762,872	5,163,445
<b>Excess (deficiency) of revenue over expenditures before the following</b>	<b>(308,886)</b>	<b>93,603</b>
<b>Amortization of land improvements and building</b>	<b>(180,989)</b>	<b>(173,078)</b>
<b>Amortization of deferred capital contributions - land improvements and building</b>	<b>27,814</b>	<b>17,941</b>
<b>Deficiency of revenue over expenditures</b>	<b>\$ (462,061)</b>	<b>\$ (61,534)</b>

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**THE MCCAUSLAND HOSPITAL**
**STATEMENT OF CHANGES IN NET ASSETS**

Year ended March 31	2008		2007	
	Investment in capital assets (Note 9)	Unrestricted	Total	Total
<b>Balance, beginning of year</b>	<b>\$ 763,046</b>	<b>\$ 175,831</b>	<b>\$ 938,877</b>	<b>\$ 1,000,411</b>
<b>Deficiency of revenue over expenditures</b>	<b>(196,102)</b>	<b>(265,959)</b>	<b>(462,061)</b>	<b>(61,534)</b>
<b>Net change in capital assets</b>	<b>245,882</b>	<b>(245,882)</b>	<b>-</b>	<b>-</b>
<b>Balance, end of year</b>	<b>\$ 812,826</b>	<b>\$ (336,010)</b>	<b>\$ 476,816</b>	<b>\$ 938,877</b>

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**THE MCCAUSLAND HOSPITAL**
**STATEMENT OF CASH FLOWS**

Year ended March 31	2008	2007
<b>Cash provided by (used in) operating activities</b>		
Cash received from patients and funding agencies	\$ 5,469,652	\$ 4,935,318
Interest received	30,525	27,218
Cash paid to suppliers and employees	(5,214,378)	(4,937,418)
	<b>285,799</b>	25,118
<b>Cash used in investment activities</b>		
Purchase of capital assets		
Equipment and information systems	(227,547)	(66,764)
Land improvements and building	(196,660)	(190,415)
	<b>(424,207)</b>	(257,179)
<b>Cash provided by (used in) financing activities</b>		
Capital contributions received	148,783	288,237
Repayment of capital lease obligation	(1,542)	-
	<b>147,241</b>	288,237
<b>Net cash increase during the year</b>	<b>8,833</b>	56,176
<b>Cash position, beginning of year</b>	<b>595,135</b>	538,959
<b>Cash position, end of year</b>	<b>\$ 603,968</b>	\$ 595,135
<b>Represented by</b>		
Cash - restricted	\$ 288,706	\$ 330,020
Cash - unrestricted	315,262	265,115
	<b>\$ 603,968</b>	\$ 595,135

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**THE MCCAUSLAND HOSPITAL****NOTES TO FINANCIAL STATEMENTS****Year ended March 31, 2008**

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**Purpose of the Organization**

The McCausland Hospital (the Hospital) is principally involved in providing health care services to the Township of Terrace Bay and surrounding region of Northwestern Ontario.

The Hospital is incorporated under the Provincial Corporations 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.

**1. Summary of significant accounting policies**

Financial instruments -

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics.

Held for trading -

Financial assets and financial liabilities that are acquired or incurred principally for the purpose of generating profits in the near term are classified as held for trading. These instruments are accounted for at fair value based on market prices, with the change in fair value recognized in net income for the period. The Hospital has classified cash as held for trading.

Loans, receivables and other liabilities -

Loans, receivables and other liabilities are accounted for at amortized cost using the effective interest rate method. The Hospital has classified accounts receivable, accounts payable and accruals and due to Foundation as loans, receivables and other liabilities.

The carrying value of accounts receivable and accounts payable and accruals approximates its fair value due to the immediate or short-term maturity of these financial instruments.

The fair value of the due to Foundation has not been disclosed due to the fact that the cash flow stream is not determinable.

Unless otherwise noted, it is management's opinion that the Hospital is not exposed to significant interest, currency or credit risks arising from its financial instruments.

Inventory -

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

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**THE MCCAUSLAND HOSPITAL**
**NOTES TO FINANCIAL STATEMENTS**
**Year ended March 31, 2008**


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**1. Summary of significant accounting policies (continued)**

Capital assets and amortization -

Purchased capital assets are recorded at cost and contributed assets are valued at their Fair Market Value at the time of contribution. The cost of major replacements and improvements to capital assets are capitalized and the cost of maintenance and repairs are expensed when incurred.

The amortization of the capital assets is recorded annually with a corresponding reduction in investment in capital assets. All assets are amortized over their estimated useful lives using the straight-line basis at the following annual rates:

Buildings		
Ambulance, ancillary and hospital	-	4%
Service equipment	-	5%
Equipment		
Ancillary	-	5%
Hospital	-	5% - 33%
Information systems	-	20%
Paving	-	4%

Leased assets and amortization -

Assets under capital lease have been recorded as if the Hospital had acquired the assets through debt financing. Amortization is provided on a straight-line basis at an annual rate of:

Equipment	-	20%
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Lease payments are divided between a reduction of the recorded obligation and interest on the capital lease obligations.

Asset impairment -

The Hospital monitors events and changes in circumstances which may require an assessment of the recoverability of its long-lived assets. If required, the Hospital would assess recoverability using estimated undiscounted future operating cash flows. If the carrying amount of an asset is not recoverable, an impairment loss is recognized in operations, measured by comparing the carrying amount of the asset to its fair value.

Revenue -

The Hospital follows the deferral method of accounting for revenue received. Under this method, externally restricted contributions for operations 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 reasonably be 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.

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**THE MCCAUSLAND HOSPITAL****NOTES TO FINANCIAL STATEMENTS****Year ended March 31, 2008**

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**1. Summary of significant accounting policies (continued)**

Contributed materials and services -

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

Compensated absences -

Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the benefit plans of the Hospital.

Employee future benefits -

The Hospital provides extended health care, dental and life insurance benefits to substantially all employees and 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 benefit method pro-rated on service from management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

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 amounts reported in the financial statements. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

**2. Change in accounting policy**

Effective October 1, 2007, the Hospital adopted the provisions of the CICA Section 3855, Financial Instruments - Recognition and Measurement, Section 3861, Financial Instruments - Disclosure and Presentation and Section 1530, Comprehensive Income. These standards address the classification, recognition and measurement of financial instruments in the financial statements and the inclusion of other comprehensive income. The changes were applied retroactively without restatement of the comparative financial statements. There were no adjustments to opening balances as the carrying value of the held for trading financial instruments approximated their Fair Market Value.

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**THE MCCAUSLAND HOSPITAL**
**NOTES TO FINANCIAL STATEMENTS**
**Year ended March 31, 2008**


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**3. Inventory**

	<u>2008</u>	<u>2007</u>
Pharmacy inventory	\$ 59,609	\$ 51,625
Supplies inventory	44,620	37,662
	<u>\$ 104,229</u>	<u>\$ 89,287</u>

**4. Capital assets**

	<u>2008</u>			<u>2007</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Buildings				
Ambulance	\$ 473,686	\$ 341,064	\$ 132,622	\$ 151,570
Ancillary	207,073	207,073	-	-
Hospital	3,372,257	3,205,142	167,115	297,372
Service equipment	684,439	182,796	501,643	315,212
Equipment				
Ancillary	19,139	19,139	-	-
Hospital	2,944,810	2,431,370	513,440	589,020
Information systems	229,464	81,567	147,897	47,255
Paving	402,455	402,455	-	-
	<u>8,333,323</u>	<u>6,870,606</u>	<u>1,462,717</u>	1,400,429
Land	1	-	1	1
Building under construction	<u>335,970</u>	-	<u>335,970</u>	335,970
	<u>\$ 8,669,294</u>	<u>\$ 6,870,606</u>	<u>\$ 1,798,688</u>	\$ 1,736,400

Included in equipment - hospital is equipment under capital lease with a cost of \$11,772 (2007 - \$Nil) and accumulated amortization of \$2,354 (2007 - \$Nil).

The building under construction relates to the Long-Term Care wing addition. The cost will not be amortized until the construction is complete and the Long-Term Care wing is available for use.

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**THE MCCAUSLAND HOSPITAL**
**NOTES TO FINANCIAL STATEMENTS**
**Year ended March 31, 2008**


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**5. Obligation under capital lease**

Under the terms of the equipment lease expiring February 2013, the Hospital is committed to make minimum annual lease payments as follows:

	2009	\$	<b>3,084</b>
	2010		<b>3,084</b>
	2011		<b>3,084</b>
	2012		<b>3,084</b>
	2013		<b>3,082</b>
			<hr/>
Total minimum lease payments			<b>15,418</b>
Less: interest portion			<b>(5,188)</b>
			<hr/>
Principal portion of lease obligation			<b>10,230</b>
Current portion			<b>(1,453)</b>
			<hr/>
		\$	<b>8,777</b>
			<hr/>

The interest rate implicit in the lease is 15.96% per annum.

**6. Deferred capital contributions**

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

	<b>2008</b>			<b>2007</b>
	<b>Government</b>	<b>Donations</b>	<b>Total</b>	<b>Total</b>
Balance, beginning of year	\$ 977,953	\$ 325,421	\$ 1,303,374	\$ 1,168,467
Received during the year	146,048	2,735	148,783	288,237
Amount amortized to revenue	(131,691)	(45,898)	(177,589)	(153,330)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance, end of year	\$ 992,310	\$ 282,258	\$ 1,274,568	\$ 1,303,374
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**THE MCCAUSLAND HOSPITAL**
**NOTES TO FINANCIAL STATEMENTS**
**Year ended March 31, 2008**


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**6. Deferred capital contributions (continued)**

	2008			2007
	Government	Donations	Total	Total
Unamortized portion	\$ 703,605	\$ 282,257	\$ 985,862	\$ 973,354
Unexpended portion	288,706	-	288,706	330,020
	<b>\$ 992,311</b>	<b>\$ 282,257</b>	<b>\$ 1,274,568</b>	<b>\$ 1,303,374</b>

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

**7. Employee future benefits**

At March 31, 2008, the Hospital's total accrued benefit obligation related to post retirement benefit plans (other than pension) is \$182,878 (2007 - \$181,308). The most recent actuarial estimate was provided as at April 1, 2006.

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

Discount rate	5.75%
Dental benefits cost escalation	4.0%
Medical benefits cost escalation - extended health care	9.0%

Included in employee benefits on the statement of operations is an amount of \$13,000 (2007 - \$21,000 ) regarding employee future benefits. This amount is comprised of:

	2008	2007
Additional benefit expense	\$ 24,430	\$ 33,384
Estimated payments made by the Hospital during the year	(11,430)	(12,384)
	<b>\$ 13,000</b>	<b>\$ 21,000</b>

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**THE MCCAUSLAND HOSPITAL**
**NOTES TO FINANCIAL STATEMENTS**
**Year ended March 31, 2008**


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**8. Contingent liabilities**

Insurance -

A group of hospitals, including The McCausland 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, 2008.

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 the result of the termination of an employee of the Hospital during the year, the following costs have been incurred subsequent to the date of termination:

Salaries and benefits - administrative	\$ 43,375
Administrative supplies and services	<u>27,825</u>
	<u>\$ 71,200</u>

In addition, a termination payment in the amount of \$217,844 has been accrued pursuant to a settlement agreement. Subsequent to the settlement agreement, a further action was commenced by the terminated employee for additional costs in the amount of \$201,108. No additional contingent liability has been recorded regarding the subsequent claim as this matter is in dispute and resolution is not determinable at this time.

**9. Investment in capital assets**

a) Investment in capital assets is calculated as follows:

	<u>2008</u>	<u>2007</u>
<b>Capital assets at net book value</b>	<b>\$ 1,798,688</b>	<b>\$ 1,736,400</b>
<b>Amounts financed by -</b>		
Deferred capital contributions	<u>(985,862)</u>	<u>(973,354)</u>
	<u><b>\$ 812,826</b></u>	<u><b>\$ 763,046</b></u>

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**THE MCCAUSLAND HOSPITAL**
**NOTES TO FINANCIAL STATEMENTS**
**Year ended March 31, 2008**


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**9. Investment in capital assets (continued)**

b) Change in net assets invested in capital assets is calculated as follows:

	<u>2008</u>	<u>2007</u>
<b>Deficiency of revenue over expenditures</b>		
Amortization of deferred capital contributions	\$ 177,589	\$ 153,330
Amortization of capital assets	<u>(373,691)</u>	<u>(362,577)</u>
	<b>\$ (196,102)</b>	<b>\$ (209,247)</b>
 <b>Net change in capital assets</b>		
Purchase of capital assets	\$ 435,979	\$ 257,179
Amounts funded by -		
Deferred capital contributions		
utilized to purchase capital assets during the year	<u>(190,097)</u>	<u>(173,084)</u>
	<b>\$ 245,882</b>	<b>\$ 84,095</b>

**10. Other revenue**

	<u>2008</u>	<u>2007</u>
Affiliate facility program	\$ 11,012	\$ 10,768
Donations	470	2,640
Food services	19,519	21,320
Government of Canada - seniors project	7,800	9,593
Handi-Transit	33,666	33,692
Meals on Wheels	55,646	55,651
Northern Diabetes Health Network	44,426	42,022
Province of Ontario - employment grants	4,276	2,405
Recoveries and sundry	<u>118,756</u>	<u>55,497</u>
	<b>\$ 295,571</b>	<b>\$ 233,588</b>

**11. Economic interest**

The Hospital has economic interest in The McCausland Hospital - Terrace Bay - Schreiber - Rosspport Foundation. The Foundation's primary purpose is to raise funds from the public and business community to provide funds for the construction of the new Long-Term Care wing for the Hospital.

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**THE MCCAUSLAND HOSPITAL****NOTES TO FINANCIAL STATEMENTS****Year ended March 31, 2008**

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**12. Commitments**

Under the terms of equipment and maintenance leases, the Hospital is committed to make minimum monthly lease payments totalling \$47,925 per annum. The lease expiry dates range from March 2009 to July 2012.

**13. Pension plan**

Most of the employees of the Hospital are members of the Hospitals of Ontario Pension Plan (the Plan), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, that provide the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. On January 1, 2008 the contribution rates were 6.9% (2007 - 6.9%) up to the year's maximum pensionable earnings (YMPE) and 9.2% (2007 - 9.2%) above the YMPE. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variations 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, 2007 indicates the Plan is fully funded. Contributions to the Plan made during the year by the Hospital on behalf of its employees amounted to \$479,146 (2007 - \$407,716) and are included in the statement of operations.

**14. Comparative figures**

The financial statements of the Hospital as at March 31, 2007 and for the year then ended were audited by another firm of Chartered Accountants who expressed an opinion without reservation on those statements, in their report dated May 18, 2007.

Certain of the comparative figures presented in the accompanying financial statements have been reclassified to conform with the current year's presentation.