

Financial Statements

Woodstock General Hospital Trust
March 31, 2010

AUDITORS' REPORT

To the Members of the
Woodstock General Hospital Trust

We have audited the statement of financial position of the **Woodstock General Hospital Trust** as at March 31, 2010 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 **Woodstock General Hospital Trust'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 **Woodstock General Hospital Trust** as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Corporations Act (Ontario), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

London, Canada,
May 18, 2010.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Woodstock General Hospital Trust

Incorporated without share capital under the laws of Ontario

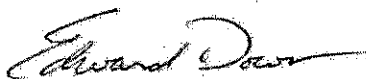
STATEMENT OF FINANCIAL POSITION

As at March 31


	2010 \$	2009 \$
ASSETS		
Current		
Cash and cash equivalents [note 5]	2,491,668	2,668,488
Accounts receivable	2,316,299	2,346,701
Inventories	232,317	206,588
Prepaid expenses	323,809	330,078
Total current assets	5,364,093	5,551,855
Investments [note 6]	25,807,215	26,076,889
Long-term investments [note 7]	59,441	64,441
Long-term receivable [note 15]	101,872,172	24,900,000
Capital assets, net [note 8]	138,156,318	51,187,325
	271,259,239	107,780,510
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	6,214,927	6,403,428
Total current liabilities	6,214,927	6,403,428
Deferred contributions [note 9]	146,473,359	69,318,508
Long-term obligation [note 15]	113,201,125	26,700,000
Total liabilities	265,889,411	102,421,936
Contingencies [note 16]		
Net assets [note 2]		
Endowments [note 10[a]]	542,398	542,398
Internally restricted [note 10[b]]	1,664,361	1,636,836
Unrestricted	3,163,069	3,179,340
	5,369,828	5,358,574
	271,259,239	107,780,510

See accompanying notes

On behalf of the Board:



Director



Director

Woodstock General Hospital Trust

STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31

	Endowments \$	Internally restricted \$	Unrestricted \$	2010 Total \$	2009 Total \$
	[note 10[a)]	[note 10[b)]			
Balance, beginning of year	542,398	1,636,836	3,179,340	5,358,574	8,647,911
Surplus (deficiency) for the year	—	11,254	(27,525)	11,254	(3,289,337)
Interfund transfers, net	27,525			—	—
Balance, end of year	542,398	1,664,361	3,163,069	5,369,828	5,358,574

See accompanying notes

Woodstock General Hospital Trust

STATEMENT OF OPERATIONS

Year ended March 31

	2010	2009
	\$	\$
REVENUES		
Ministry of Health and Long-Term Care/Local Health		
Integration Network		
Global funding	43,391,247	42,447,995
Fee for services	3,465,835	3,253,355
Other programs [note 11]	8,548,626	10,107,823
Other patient revenue	1,071,974	1,189,299
Preferred accommodation	708,175	567,943
Investment income	12,305	84,947
Other revenue [note 13]	3,999,599	4,467,821
Amortization of deferred contributions - equipment	1,361,826	1,365,185
	<u>62,559,587</u>	<u>63,484,368</u>
EXPENSES		
Salaries, wages and other remuneration	33,517,864	35,722,600
Employee benefits	5,928,057	6,383,875
Supplies and other expenses	8,033,511	7,911,806
Medical and surgical supplies	2,972,029	2,932,929
Drug expense	1,112,709	1,152,795
Amortization of equipment	2,332,920	2,334,717
(Gain) loss on disposal of capital assets	(49,700)	15,845
Other programs [note 11]	8,580,996	10,191,047
	<u>62,428,386</u>	<u>66,645,614</u>
Income (loss) before the undernoted	131,201	(3,161,246)
Amortization of buildings and improvements	(308,005)	(316,149)
Amortization of deferred contributions - buildings and improvements	188,058	188,058
Surplus (deficiency) for the year	<u>11,254</u>	<u>(3,289,337)</u>

See accompanying notes

Woodstock General Hospital Trust

STATEMENT OF CASH FLOWS

Year ended March 31

	2010 \$	2009 \$
OPERATING ACTIVITIES		
Surplus (deficiency) for the year	11,254	(3,289,337)
Add (deduct) non-cash items		
Amortization of equipment	2,332,920	2,334,717
Amortization of deferred contributions - buildings and improvements	(188,058)	(188,058)
Amortization of buildings and improvements	308,005	316,149
Amortization of deferred contributions - equipment	(1,361,826)	(1,365,185)
Loss (gain) on disposal of capital assets	(49,700)	15,845
	<u>1,052,595</u>	<u>(2,175,869)</u>
Net change in non-cash working capital balances related to operations [note 14]	(177,559)	651,844
Net increase in deferred contributions related to expenses of future periods	22,369	38,980
Cash provided by (used in) operating activities	<u>897,405</u>	<u>(1,485,045)</u>
FINANCING ACTIVITIES		
Deferred contributions received related to capital assets	2,937,493	8,934,885
Increase in deferred contributions related to investment income on unspent capital contributions	230,701	438,395
Cash provided by financing activities	<u>3,168,194</u>	<u>9,373,280</u>
INVESTING ACTIVITIES		
Net change in long-term investments	5,000	5,000
Purchase of capital assets	(4,630,836)	(2,438,440)
Gain on sale of investments	(42,291)	(287,528)
Purchase of investments	(4,197,268)	(15,595,879)
Proceeds on sale of investments	4,509,233	8,983,220
Proceeds on sale of capital assets	113,743	35,750
Cash used in investing activities	<u>(4,242,419)</u>	<u>(9,297,877)</u>
Net decrease in cash during the year	<u>(176,820)</u>	<u>(1,409,642)</u>
Cash and cash equivalents, beginning of year	2,668,488	4,078,130
Cash and cash equivalents, end of year	<u>2,491,668</u>	<u>2,668,488</u>
Represented by		
Cash (bank indebtedness)	1,104,747	(206,127)
Short-term deposits	1,386,921	2,874,615
	<u>2,491,668</u>	<u>2,668,488</u>

See accompanying notes

Woodstock General Hospital Trust

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized as follows:

[a] Basis of accounting and presentation

These financial statements represent the operations of the Woodstock General Hospital Trust [the "Hospital"] including funds held for special or endowment purposes. The financial statements do not include the assets, liabilities and activities of any other organizations, such as the Woodstock Hospital Foundation [the "Foundation"] and volunteer associations, which, although related to the Hospital, are not controlled by it.

[b] Revenue recognition

The Hospital follows the deferral method of accounting for contributions, which include donations and government grants.

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.

Externally restricted contributions other than endowment 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 to revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as direct increases in endowment net assets.

Restricted investment income is deferred and recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

[c] Inventories

Inventories are valued at the lower of cost and replacement cost, with cost being determined on a first-in, first-out basis.

Woodstock General Hospital Trust

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

[d] Investments

Fixed-income investments with fixed or determinable payments that management has the positive intention and ability to hold to maturity have been classified as held to maturity and are recorded at amortized cost using the effective interest rate method. Short-term securities are valued based on cost plus accrued income, which approximates fair value.

[e] Long-term investments

Investments in companies over which the Hospital has joint control are accounted for on an equity basis.

[f] Capital assets

Capital assets are valued at the cost incurred by the Hospital at the date of acquisition. All direct costs and interest related to building and equipment projects are capitalized during the period of construction until the project is complete.

Amortization is provided on a straight-line basis over the estimated useful lives of the assets. Amortization commences in the year an asset is put into use and is discontinued in the year an asset is disposed. The rates of amortization are as follows:

Buildings	2%
Building service equipment	5% to 20%
Equipment and furnishings	5% to 20%
Software	20%

When capital assets are disposed of, the related cost and accumulated amortization are removed from the respective accounts and any gain or loss is reflected in the statement of operations.

No amortization is recorded on construction in progress.

[g] Contributed services and materials

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services and materials are not recognized in these financial statements.

Woodstock General Hospital Trust

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

[h] Use of estimates

Preparation of the Hospital's financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the statement of financial position and the reported amounts of revenues and expenses during the year. The inherent uncertainty involved in making such estimates may impact the actual results reported in future periods.

[i] Financial instruments

The Hospital has chosen to continue to apply the Canadian Institute of Chartered Accountants ["CICA"] Handbook Section 3861: *Financial Instruments - Disclosure and Presentation* in place of CICA Handbook Section 3862: *Financial Instruments - Disclosures* and Section 3863: *Financial Instruments - Presentation*.

Financial assets and financial liabilities

CICA Handbook Section 3855: *Financial Instruments - Recognition and Measurement* establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It also specifies how financial instrument gains and losses are to be presented. All financial instruments must be classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Hospital's designation of such instruments.

The Hospital has made the following classifications on adoption of CICA Section 3855:

- [a] Cash is classified as held-for-trading and measured at fair value.
- [b] Accounts receivable are classified as loans and receivables. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.
- [c] Investments, which consist of fixed-income investments are classified as held-to-maturity and are measured at amortized cost using the effective interest rate method.
- [d] Accounts payable and accrued liabilities are classified as other financial liabilities. After their initial fair value measurement they are measured at amortized cost using the effective interest rate method.

Woodstock General Hospital Trust

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

2. CHANGE IN ACCOUNTING POLICY

The CICA issued revisions to Section 4400: Financial Statement Presentation by Not-for-Profit Organizations, which makes the disclosure of net assets invested in capital assets optional. The effective date is for fiscal years beginning on or after January 1, 2009. The Hospital adopted this revised presentation on April 1, 2009. The impact of adoption of these revisions had no impact to the financial statements except with respect to reclassification and disclosure.

Included in the CICA's revisions to Section 4400: Financial Statement Presentation by Not-for-Profit Organizations is the requirement for investing and financing activities to be presented separately on the statement of cash flows. The Hospital adopted this revised presentation requirement on April 1, 2009. Adoption of this requirement had no impact on the financial statements except with respect to presentation.

3. CAPITAL MANAGEMENT

In managing capital, the Hospital focuses on liquid resources available for operations. The Hospital's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. The Hospital has an available line of credit of \$5,000,000 [2009 - \$10,000,000] that is used when sufficient cash flow is not available from operations to cover operating and capital expenditures. The Hospital will enter into long-term debt to assist with the financing of capital assets when other sources are not available. As at March 31, 2010, the Hospital had sufficient liquid resources to meet its current obligations.

4. WOODSTOCK HOSPITAL FOUNDATION

The Foundation is an organization with a separate Board of Directors that engages in fundraising activities on behalf of the Hospital. The Foundation transfers funds for capital purposes to the Hospital. The Hospital performs certain administrative functions related to the operations of the Foundation.

Woodstock General Hospital Trust

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	2010 \$	2009 \$
Cash (bank indebtedness)	1,104,747	(206,127)
Treasury account for operations	1,386,921	2,874,615
	<u>2,491,668</u>	<u>2,668,488</u>

The credit facility as at March 31, 2009 established with the Hospital's bankers consists of a credit line of \$5,000,000 [2009 - \$10,000,000] bearing interest at the bank's prime rate to be used for general operating purposes. No amount was drawn on this facility as at March 31, 2010 [2009 - nil].

6. INVESTMENTS

Details of investments are as follows:

	2010		2009	
	Cost \$	Market value \$	Cost \$	Market value \$
Cash	400,851	400,851	3,756,005	3,756,005
Treasury accounts for capital	15,010,419	15,010,419	15,639,869	15,639,869
Bonds and GICs	10,395,945	10,367,592	4,979,938	4,986,431
Treasury bills and bankers' acceptances	—	—	1,701,077	1,701,741
	<u>25,807,215</u>	<u>25,778,862</u>	<u>26,076,889</u>	<u>26,084,046</u>

The market value of the investments was derived from quoted market values at year end.

The Hospital is subject to market risk, foreign currency risk, credit risk and interest rate risk with respect to its investment portfolio. To manage these risks, the Hospital has established a target mix of investment types intended to achieve optimal return within reasonable risk tolerances

Woodstock General Hospital Trust

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

7. LONG-TERM INVESTMENTS

[a] Oxford ProResp Inc.

Effective January 1, 1995, Oxford ProResp Inc. was incorporated as a joint venture between the Hospital and a third party for the purposes of providing home care services to clients in Oxford County. The Hospital received 50 common shares, representing 50% of the voting equity of the joint venture, in exchange for cash. In fiscal 2004, the common shares were then exchanged share for share for Class A common shares at an amount equal to the original value. The Hospital also received 100 special Class A shares in exchange for a promissory note in the amount of \$100,000 which was fully repaid in fiscal 2001. The investment is being accounted for on an equity basis and, as such, is stated at cost plus income less dividends since acquisition.

	2010 \$	2009 \$
Special Class A shares	100,000	100,000
Class A common shares	50	50
Share of income since incorporation	617,891	617,891
Dividends received since incorporation	(658,500)	(653,500)
	<u>59,441</u>	<u>64,441</u>
	2010 \$	2009 \$
Hospital's share of total assets	339,080	337,950
Hospital's share of total liabilities	<u>134,828</u>	<u>131,513</u>
	2010 \$	2009 \$
Hospital's share of cash provided by operating activities	141,847	150,534
Hospital's share of cash used in investing activities	(18,229)	(31,952)
Hospital's share of cash used in financing activities	<u>(110,000)</u>	<u>(102,500)</u>
Hospital's share of cash provided by (used in) operating, investing and financing activities	<u>13,618</u>	<u>16,082</u>

Woodstock General Hospital Trust

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

[b] Regional Shared Services ["RSS"]

RSS is an unincorporated joint venture established to develop and operate a shared electronic health information management system. Its members include the Hospital, the members of the Thames Valley Planning Partnership and other regional hospitals. Services include information systems related to electronic patient records, PACS and general ledger applications. The Hospital's interest in RSS is nominal. The hospital pays for its portion of shared capital and operating expenses related to RSS. The Hospital purchased \$853,064 of services from RSS during the year [2009 - \$619,491].

8. CAPITAL ASSETS

Details of capital assets by major category are as follows:

	2010		2009	
	Cost	Accumulated	Cost	Accumulated
	\$	amortization	\$	amortization
		\$		\$
Land and land improvements	2,309,076	353,758	2,309,076	353,758
Buildings and building service equipment	15,717,502	10,187,501	15,713,691	9,879,496
Equipment and furnishings	21,396,950	16,983,660	21,348,592	16,648,997
Software	2,725,143	2,662,067	2,725,143	2,254,302
	42,148,671	30,186,986	42,096,502	29,136,553
Less accumulated amortization	30,186,986		29,136,553	
	11,961,685		12,959,949	
New hospital development costs	13,497,433		11,527,376	
Equipment purchases for new hospital	954,075		—	
Construction in progress	111,743,125		26,700,000	
Net book value	138,156,318		51,187,325	

New hospital development and construction in progress relate to the construction of a new hospital that was approved by the Ministry of Health and Long-Term Care [the "Ministry"] on September 26, 2008 [note 15].

Woodstock General Hospital Trust

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

9. DEFERRED CONTRIBUTIONS

Deferred contributions consist of the following:

	2010 \$	2009 \$
Expenses of future periods [a]	1,183,313	1,160,944
Capital assets [b]	145,290,046	68,157,564
	<u>146,473,359</u>	<u>69,318,508</u>

[a] Deferred contributions related to expenses of future periods

Deferred contributions related to expenses of future periods represent funding for a special developmental program and investment income earned on unspent externally restricted donations for nursing education and palliative care.

	2010 \$	2009 \$
Balance, beginning of year	1,160,944	1,121,964
Add investment income restricted for other operating purposes	22,369	38,980
Balance, end of year	<u>1,183,313</u>	<u>1,160,944</u>

[b] Deferred contributions related to capital assets

Deferred contributions related to capital assets are as follows:

	2010 \$	2009 \$
Balance, beginning of year	68,157,564	35,437,527
Additional contributions received or receivable	78,451,665	33,834,885
Investment income on unspent capital contributions	230,701	438,395
Less amounts amortized to revenue	(1,549,884)	(1,553,243)
Balance, end of year	<u>145,290,046</u>	<u>68,157,564</u>

Woodstock General Hospital Trust

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

The balance of deferred contributions related to capital assets consists of the following:

	2010 \$	2009 \$
Unamortized capital contributions used to purchase capital assets	21,786,254	19,497,443
Unspent contributions	123,503,792	48,660,121
	<u>145,290,046</u>	<u>68,157,564</u>

10. RESTRICTIONS ON NET ASSETS

- [a] All of the net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the principal be maintained intact. Investment income on \$542,398 [2009 - \$542,398] of the assets restricted for endowment purposes is externally restricted for capital purposes.
- [b] Income earned on internally restricted funds is recorded as revenue in the statement of operations. Transfers to and from these funds are at the discretion of the Board of Trustees on an annual basis. Income transferred to these funds in the current year from the unrestricted fund amounted to \$27,525 [2009 - \$43,530].

11. CONTRACT WITH MINISTRY OF COMMUNITY AND SOCIAL SERVICES AND MINISTRY OF CHILDREN AND YOUTH SERVICES

The Hospital has a service contract with the Ministry of Community and Social Services, and Ministry of Children and Youth Services. One requirement of the contract is the production by management of an Annual Program Expenditure Reconciliation Report, which shows a summary by service of all revenues and expenditures and any resulting surplus or deficit that relate to the contract.

12. HEALTHCARE OF ONTARIO PENSION PLAN

Pension benefit costs are expensed as related contributions are made to the Healthcare of Ontario Pension Plan ["HOOPP"]. Substantially all of the employees of the Hospital are members of HOOPP. This plan is a multi-employer defined benefit pension plan. Employer contributions made to the plan on behalf of employees amounted to \$2,904,887 [2009 - \$2,974,758].

The most recent actuarial valuation for accounting purposes completed by the HOOPP as at December 31, 2009, disclosed a smoothed assets value of \$32,556 million with accrued going concern liabilities of \$32,020 million resulting in a going concern surplus of \$536 million.

Woodstock General Hospital Trust

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

13. RELATED PARTY TRANSACTIONS

Related party transactions during the year, not separately disclosed in the financial statements, include the following:

- Management fees of \$206,000 [2009 - \$211,000] from Oxford ProResp Inc. have been included in other revenue.
- A donation of \$250,198 [2009 - \$6,000] was received from the Woodstock Auxiliary for equipment purchases and capital projects.
- A donation of \$1,616,908 [2009 - \$133,462] was received from the Foundation during the year. At year end, an amount of \$36,497 was receivable from the Foundation.

14. STATEMENT OF CASH FLOWS

The net change in non-cash working capital balances related to operations consists of the following:

	2010 \$	2009 \$
Decrease (increase) in current assets		
Accounts receivable	30,402	1,185,420
Inventories	(25,729)	28,295
Prepaid expenses	6,269	(25,127)
	<u>10,942</u>	<u>1,188,588</u>
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	(188,501)	(536,744)
	<u>(177,559)</u>	<u>651,844</u>

Woodstock General Hospital Trust

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

15. COMMITMENTS

The Hospital has entered into an alternative financing and procurement ["AFP"] project agreement under Infrastructure Ontario ["IO"] for the construction, financing and maintenance of a new hospital to be built in Woodstock. The project is being constructed and financed during construction by an unrelated joint venture created to carry out the construction within the AFP agreement. Construction commenced in October 2008 and has a targeted completion date of June 2011. Under terms of the project agreement, payments that total approximately \$599 million will be made by the Hospital over a 30 year period with payments commencing after construction has been substantially completed. A portion of these payments will be indexed over the term of the agreement to provide for changes in certain costs.

The project costs incurred under the AFP to March 31, 2010 have been recorded as construction in progress [note 8] and reported as a long-term obligation in the amount of \$113.2 million [2009 - \$26.7 million].

The estimated total cost for the project is \$685 million which includes the project agreement costs noted above as well as other project related costs such as additional building costs, new and replacement equipment, and consulting costs paid directly by the Hospital to other parties. The Hospital has entered into an agreement with the Ministry to share in these project costs based on Ministry funding policy. The Ministry shares in these project costs at various rates with its share of eligible construction cost being 90%.

Based on the agreement signed with the Ministry, the Hospital has recognized the proportionate share of Ministry funding of the total project costs incurred to March 31, 2010 as a long-term receivable in the amount of \$101.9 million [2009 - \$24.9 million] as well as a deferred contribution. The Hospital, through its Local Share Plan, has received commitments from the Foundation, City of Woodstock, and the County of Oxford to fund a portion of the remainder of the project, with the balance of funding coming from the Hospital.

Unspent capital funds received or receivable from the Ministry for new Hospital development costs are restricted by the Ministry and have been shown in the financial statements as part of unspent deferred contributions [note 9] and included in the Hospital's investments [note 6].

Woodstock General Hospital Trust

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

16. CONTINGENCIES

The Hospital is subject to certain actual and potential legal claims that have arisen in the normal course of operations. In management's opinion, insurance coverage is sufficient to offset the cost of unfavourable settlements, if any, which may result from such claims.

17. RESTRUCTURING

During the year, the Hospital continued to realign and restructure services in order to meet the requirements of the External Review performed in fiscal 2009. Specifically, the Hospital needed to meet and balance its current and future financial budgetary obligations while maintaining the utmost quality in its services.

The Hospital spent \$410,076 [2009 - \$455,717] on restructuring during the year. The South West Local Health Integration Network ["LHIN"] provided additional funding amounting to \$168,123 [2009 - \$514,019], to mitigate the effect on the Hospital budget.

18. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2010 financial statements.