



Financial Statements

**Woodstock General Hospital Trust**  
March 31, 2012

## INDEPENDENT AUDITORS' REPORT

To the Members of  
**Woodstock General Hospital Trust**

We have audited the accompanying financial statements of **Woodstock General Hospital Trust**, which comprise the statement of financial position as at March 31, 2012 and the statements of operations, changes in net assets, 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 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 auditors consider 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 **Woodstock General Hospital Trust** as at March 31, 2012 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.

*Ernst & Young LLP*

London, Canada,  
June 14, 2012.

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

|   | 2012               | 2011                   |
|---|--------------------|------------------------|
|   | \$                 | \$                     |
|   |                    | [restated -<br>note 2] |
| <b>ASSETS</b>   |                    |                        |
| <b>Current</b>  |                    |                        |
| Cash and cash equivalents [note 6]                        | 21,317,518         | 3,910,793              |
| Restricted cash and investments [note 16]                 | 2,358,917          | 12,735,885             |
| Ministry of Health and Long-Term Care accounts receivable | 67,106             | 5,242,469              |
| Other accounts receivable                                 | 2,818,973          | 2,511,603              |
| Inventories   | 254,962            | 274,820                |
| Prepaid expenses  | 560,080            | 182,148                |
| Current portion of long-term receivable [note 16]         | 2,007,871          | 2,649,630              |
| <b>Total current assets</b>                               | <u>29,385,427</u>  | <u>27,507,348</u>      |
| Investments [note 7]                                      | 15,105,202         | 21,226,150             |
| Long-term investments [note 8]                            | 49,441             | 54,441                 |
| Long-term receivable [note 16]                            | 163,007,159        | 161,494,764            |
| Capital assets, net [note 9]                              | 240,253,502        | 206,727,960            |
|   | <u>447,800,731</u> | <u>417,010,663</u>     |
| <b>LIABILITIES AND NET ASSETS</b>                         |                    |                        |
| <b>Current</b>  |                    |                        |
| Ministry of Health and Long-Term Care accounts payable    | 226,979            | 137,925                |
| Other accounts payable and accrued liabilities            | 16,714,826         | 7,266,736              |
| Current portion of deferred contributions [note 10]       | 10,924,219         | 6,451,687              |
| Current portion of long-term obligation [note 16]         | 2,007,879          | 21,440,670             |
| <b>Total current liabilities</b>                          | <u>29,873,903</u>  | <u>35,297,018</u>      |
| Employee future benefits [note 13[b]]                     | 1,262,000          | 1,187,900              |
| Deferred contributions [note 10]                          | 243,249,305        | 210,875,825            |
| Long-term obligation [note 16]                            | 162,278,131        | 161,494,765            |
| <b>Total liabilities</b>                                  | <u>436,663,339</u> | <u>408,855,508</u>     |
| Commitments and contingencies [notes 16, 17 and 18]       |                    |                        |
| <b>Net assets</b>   |                    |                        |
| Endowments [note 11[a]]                                   | 542,398            | 542,398                |
| Internally restricted [note 11[b]]                        | 1,713,793          | 1,708,726              |
| Unrestricted  | 8,881,201          | 5,904,031              |
| <b>Total net assets</b>                                   | <u>11,137,392</u>  | <u>8,155,155</u>       |
|   | <u>447,800,731</u> | <u>417,010,663</u>     |

*See accompanying notes*

On behalf of the Board:

*Edward Dow*

Director

*John M. Daigle*

Director

Woodstock General Hospital Trust

STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31

|   | Endowments<br>\$    | Internally<br>restricted<br>\$ | Unrestricted<br>\$ | Total<br>\$       | 2012<br>Total<br>\$ | 2011<br>Total<br>\$ | <i>[restated - note 2]</i> |
|---|---------------------|--------------------------------|--------------------|-------------------|---------------------|---------------------|----------------------------|
|   | <i>[note 11[a]]</i> | <i>[note 11[b]]</i>            |                    |                   |                     |                     |                            |
| <b>Balance, beginning of year</b>         | <b>542,398</b>      | <b>1,708,726</b>               | <b>5,904,031</b>   | <b>8,155,155</b>  |                     | <b>5,369,828</b>    |                            |
| Prior period adjustment <i>[note 2]</i>   | —                   | —                              | —                  | —                 |                     | (1,174,500)         |                            |
| <b>Balance, beginning of year revised</b> | <b>542,398</b>      | <b>1,708,726</b>               | <b>5,904,031</b>   | <b>8,155,155</b>  |                     | <b>4,195,328</b>    |                            |
| Surplus for the year                      | —                   | —                              | 2,982,237          | 2,982,237         |                     | 3,959,827           |                            |
| Interfund transfers, net                  | —                   | <b>5,067</b>                   | (5,067)            | —                 |                     | —                   |                            |
| <b>Balance, end of year</b>               | <b>542,398</b>      | <b>1,713,793</b>               | <b>8,881,201</b>   | <b>11,137,392</b> |                     | <b>8,155,155</b>    |                            |

*See accompanying notes*

## Woodstock General Hospital Trust

### STATEMENT OF OPERATIONS

Year ended March 31

|  | 2012              | 2011                           |
|--|-------------------|--------------------------------|
|  | \$                | \$                             |
|  |                   | <i>[restated -<br/>note 2]</i> |
| <b>REVENUES</b>  |                   |                                |
| Ministry of Health and Long-Term Care/Local Health Integration Network |                   |                                |
| Global funding   | 57,018,564        | 49,160,391                     |
| Funding for financing of new hospital <i>[note 16]</i>                 | 8,950,163         | —                              |
| Fee for services   | 3,977,593         | 3,746,567                      |
| Other programs <i>[note 12]</i>  | 8,622,070         | 8,499,040                      |
| Other patient  | 859,493           | 1,254,724                      |
| Preferred accommodation  | 513,419           | 593,977                        |
| Investment income  | 237,854           | 21,880                         |
| Other revenue <i>[note 14]</i>   | 5,670,698         | 4,231,164                      |
| Amortization of deferred contributions <i>[note 10]</i>                | 6,095,963         | 6,285,804                      |
|  | <b>91,945,817</b> | <b>73,793,547</b>              |
| <b>EXPENSES</b>  |                   |                                |
| Salaries, wages and other remuneration                                 | 38,967,185        | 33,694,616                     |
| Employee benefits  | 6,553,707         | 6,329,221                      |
| Supplies and other   | 14,978,325        | 8,234,554                      |
| Medical and surgical supplies  | 3,461,572         | 3,373,894                      |
| Drug   | 1,368,180         | 1,219,905                      |
| Interest on long-term obligation                                       | 8,950,163         | —                              |
| Amortization of equipment <i>[note 9]</i>                              | 2,686,335         | 3,016,417                      |
| Amortization of buildings and improvements <i>[note 9]</i>             | 3,629,464         | 5,369,301                      |
| Loss (gain) on disposal of capital assets                              | (304,195)         | 32,960                         |
| Other programs <i>[note 12]</i>  | 8,672,844         | 8,562,852                      |
|  | <b>88,963,580</b> | <b>69,833,720</b>              |
| <b>Surplus for the year</b>  | <b>2,982,237</b>  | <b>3,959,827</b>               |

*See accompanying notes*

## Woodstock General Hospital Trust

### STATEMENT OF CASH FLOWS

Year ended March 31

|   | 2012<br>\$               | 2011<br>\$               |
|---|--------------------------|--------------------------|
| <i>[restated -<br/>note 2]</i>  |                          |                          |
| <b>OPERATING ACTIVITIES</b>   |                          |                          |
| Surplus for the year  | 2,982,237                | 3,959,827                |
| Add (deduct) items not involving cash   |                          |                          |
| Amortization of equipment   | 2,686,335                | 3,016,417                |
| Amortization of buildings and improvements  | 3,629,464                | 5,369,301                |
| Amortization of deferred contributions  | (6,095,963)              | (6,285,804)              |
| Loss (gain) on disposal of capital assets   | (304,195)                | 32,960                   |
|   | <u>2,897,878</u>         | <u>6,092,701</u>         |
| Net change in non-cash working capital balances related<br>to operations <i>[note 15]</i> | 14,121,163               | (4,135,481)              |
| Net increase in deferred contributions related<br>to expenses of future periods           | 2,754,267                | 20,372                   |
| <b>Cash provided by operating activities</b>  | <u>19,773,308</u>        | <u>1,977,592</u>         |
| <b>FINANCING ACTIVITIES</b>   |                          |                          |
| Deferred contributions received related to capital assets                                 | 39,973,412               | 14,545,888               |
| Decrease in long-term obligation  | (18,649,425)             | —                        |
| Increase in long-term receivable  | (870,636)                | —                        |
| Investment income on unspent capital contributions  | 214,296                  | 301,475                  |
| <b>Cash provided by financing activities</b>  | <u>20,667,647</u>        | <u>14,847,363</u>        |
| <b>INVESTING ACTIVITIES</b>   |                          |                          |
| Net change in long-term investments   | 5,000                    | 5,000                    |
| Purchase of capital assets  | (39,844,829)             | (7,280,782)              |
| Loss (gain) on sale of investments  | 48,442                   | (10,742)                 |
| Purchase of investments   | (2,854,743)              | (3,973,715)              |
| Proceeds on sale of investments   | 8,927,249                | 8,565,522                |
| Proceeds on sale of capital assets  | 307,683                  | 24,772                   |
| <b>Cash used in investing activities</b>  | <u>(33,411,198)</u>      | <u>(2,669,945)</u>       |
| <b>Net increase in cash during the year</b>   | <b>7,029,757</b>         | <b>14,155,010</b>        |
| Cash and cash equivalents, beginning of year  | 16,646,678               | 2,491,668                |
| <b>Cash and cash equivalents, end of year</b>   | <b><u>23,676,435</u></b> | <b><u>16,646,678</u></b> |
| <b>Represented by</b>   |                          |                          |
| Cash and cash equivalents   | 21,317,518               | 3,910,793                |
| Restricted cash and investments   | 2,358,917                | 12,735,885               |
|   | <u>23,676,435</u>        | <u>16,646,678</u>        |

*See accompanying notes*

## Woodstock General Hospital Trust

### NOTES TO FINANCIAL STATEMENTS

March 31, 2012

#### 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 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, 2012

#### [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 of disposal. 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. No amortization is recorded until construction is substantially complete and the assets are ready for productive use.

#### [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, 2012

#### [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 reporting period. The inherent uncertainty involved in making such estimates may impact the actual results reported in future periods.

In particular, the amount of revenue recognized from the Ministry of Health and Long-Term Care [the "MOH-LTC"] and the South West Local Health Integration Network [the "SW-LHIN"] requires estimation. The Hospital has entered into a Hospital Service Accountability Agreement [the "H-SAA"] between the Hospital and the SW-LHIN that sets out the rights and obligations of the parties in respect of funding provided to the Hospital by the SW-LHIN and the MOH-LTC covering fiscal 2012 and 2013.

The H-SAA sets out certain performance standards and obligations that establish acceptable results for the Hospital's performance in a number of areas. If the Hospital does not meet its performance standards or obligations, the SW-LHIN and/or the MOH-LTC have the right to adjust funding received by the Hospital. The SW-LHIN and the MOH-LTC are not required to communicate certain funding adjustments until after the submission of the year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of the funding received during the year from the SW-LHIN and the MOH-LTC may be increased or decreased subsequent to the year-end. With respect to Post-Construction Operating Plan funding, management has recognized \$11.9 million of the total \$14.6 million received during fiscal 2012. The remaining \$2.7 million has been included in deferred revenue. The amount of the revenue recognized in these financial statements represents management's best estimate of amounts that have been earned during the year.

#### [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 CICA Handbook Section 3863: *Financial Instruments - Presentation*.

## Woodstock General Hospital Trust

### NOTES TO FINANCIAL STATEMENTS

March 31, 2012

#### 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 Handbook 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.

#### [j] Other employee future benefits

The Hospital accrues its obligations for other employee future benefits. The cost of other employee future benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service using best estimates of salary escalation, retirement ages of employees and expected health care costs. Differences arising from plan amendments, changes in assumptions and actuarial gains and losses are recognized in the statement of operations over the expected average remaining service life of employees. The cumulative excess of any gains (losses) over 10% of the accrued benefit obligation at the beginning of the year is amortized to expense over the expected average remaining service lifetime of active employees.

## Woodstock General Hospital Trust

### NOTES TO FINANCIAL STATEMENTS

March 31, 2012

#### 2. RECOGNITION OF EMPLOYEE FUTURE BENEFITS

During the year, management retroactively recorded employee future benefits related to the Woodstock General Hospital Non-pension Postretirement Benefit Plan which were previously unrecorded.

Accordingly, as at March 31, 2011, net assets have been reduced to record a liability of \$1,187,900 and employee benefits expense has been increased by \$13,400 to record the expense for the 2011 year.

#### 3. FUTURE CHANGES IN ACCOUNTING POLICIES

In September 2010, the Public Sector Accounting Board ["PSAB"] approved the inclusion of the CICA Handbook accounting standards for Not-For-Profit organizations ["NPOs"] into the Public Sector Accounting ["PSA"] Handbook for use by government NPOs. PSAB also approved changes to the Introduction to the Standards giving these organizations a choice to apply either the PSA Handbook with or without the NPO series of standards. These standards are effective for fiscal years beginning on or after January 1, 2012.

Set out below are the main areas where changes in accounting policies are expected to have an impact on the Hospital's financial statements, including note disclosure:

- Statement of Cash Flows [PS 1200];
- Employee Future Benefits [PS 3250/PS 3255]; and
- Financial Instruments [PS 3450].

This list should not be regarded as a complete list of all changes that will result from transition to PSAB. It is intended to highlight areas that the Hospital believes to be the most significant. The Hospital is currently evaluating the impact of these standards.

#### 4. CAPITAL MANAGEMENT

In managing capital, the Hospital focuses on liquid resources available for operations and to finance Capital Projects. 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 [2011 - \$5,000,000] 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

## Woodstock General Hospital Trust

### NOTES TO FINANCIAL STATEMENTS

March 31, 2012

financing of capital assets when other sources are not available. As at March 31, 2012, the Hospital had sufficient liquid resources to meet its current and capital obligations, as well as the performance measures related to working capital set out in the H-SAA.

#### 5. 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.

#### 6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

|                                 | 2012<br>Cost<br>\$ | 2011<br>Cost<br>\$ |
|---------------------------------|--------------------|--------------------|
| Cash (bank indebtedness)        | 9,024,225          | (1,269,591)        |
| Treasury account for operations | <u>12,293,293</u>  | <u>5,180,384</u>   |
|                                 | <u>21,317,518</u>  | <u>3,910,793</u>   |

The credit facility established with the Hospital's bankers consists of a credit line of \$5,000,000 [2011 - \$5,000,000] 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, 2012 [2011 - nil].

## Woodstock General Hospital Trust

### NOTES TO FINANCIAL STATEMENTS

March 31, 2012

#### 7. INVESTMENTS

Investments consist of the following:

|                               | 2012              |                       | 2011              |                       |
|-------------------------------|-------------------|-----------------------|-------------------|-----------------------|
|                               | Cost<br>\$        | Market<br>value<br>\$ | Cost<br>\$        | Market<br>value<br>\$ |
| Cash                          | 778,749           | 778,749               | 117,106           | 117,106               |
| Treasury accounts for capital | 11,471,710        | 11,471,710            | 16,423,483        | 16,423,483            |
| High interest savings account | 2,854,743         | 2,854,743             | 4,685,561         | 4,653,010             |
|                               | <b>15,105,202</b> | <b>15,105,202</b>     | <b>21,226,150</b> | <b>21,193,599</b>     |

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

Treasury accounts for capital are restricted accounts for unspent deferred contributions.

The Hospital is subject to market 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.

#### 8. 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.

## Woodstock General Hospital Trust

### NOTES TO FINANCIAL STATEMENTS

March 31, 2012

|  | 2012<br>\$       | 2011<br>\$       |
|--|------------------|------------------|
| 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   | <u>(668,500)</u> | <u>(663,500)</u> |
|  | <u>49,441</u>    | <u>54,441</u>    |
|  | 2012<br>\$       | 2011<br>\$       |
| Hospital's share of total assets   | 327,946          | 324,606          |
| Hospital's share of total liabilities  | <u>129,679</u>   | <u>125,407</u>   |
|  | 2012<br>\$       | 2011<br>\$       |
| Hospital's share of cash provided by (used in) operating activities            | 32,256           | (36,807)         |
| Hospital's share of cash used in investing activities                          | (16,842)         | (13,738)         |
| Hospital's share of cash used in financing activities                          | <u>(103,000)</u> | <u>(108,000)</u> |
| Hospital's share of cash used in operating, investing and financing activities | <u>(87,586)</u>  | <u>(158,545)</u> |

#### [b] Information Technology Purchased Services ["ITPS"]

Information Technology Purchased Services [formerly referred to as Regional Shared Services] is an unincorporated joint venture established to develop and operate a shared electronic health information management system. Services include information systems related to electronic patient records, Picture Archiving and Communication System and general ledger applications. The Hospital's interest in ITPS is nominal. The Hospital purchased \$933,692 of services from ITPS during the year [2011 - \$834,711].

## Woodstock General Hospital Trust

### NOTES TO FINANCIAL STATEMENTS

March 31, 2012

#### 9. CAPITAL ASSETS

Capital assets consist of the following:

|   | 2012               |                                   | 2011               |                                   |
|---|--------------------|-----------------------------------|--------------------|-----------------------------------|
|   | Cost<br>\$         | Accumulated<br>amortization<br>\$ | Cost<br>\$         | Accumulated<br>amortization<br>\$ |
| Land and land improvements - Riddell              | 703,889            | 353,757                           | 523,731            | 353,758                           |
| Land and land improvements - Juliana              | 1,785,345          | —                                 | 1,785,345          | —                                 |
| Building and building service equipment - Riddell | 15,717,502         | 15,717,502                        | 15,717,502         | 15,556,802                        |
| Building and building service equipment - Juliana | 217,014,464        | 3,468,764                         | —                  | —                                 |
| Equipment and furnishings                         | 29,882,470         | 8,791,784                         | 22,675,343         | 16,785,548                        |
| Software  | 2,953,126          | 2,831,062                         | 2,771,497          | 2,753,570                         |
| Less accumulated amortization                     | 268,056,796        | 31,162,869                        | 43,473,418         | 35,449,678                        |
|   | 31,162,869         | —                                 | 35,449,678         | —                                 |
|   | 236,893,927        | —                                 | 8,023,740          | —                                 |
| Construction in progress                          | —                  | —                                 | 198,704,220        | —                                 |
| Medical building construction in progress         | 3,359,575          | —                                 | —                  | —                                 |
| <b>Net book value</b>                             | <b>240,253,502</b> | —                                 | <b>206,727,960</b> | —                                 |

The increase in buildings and building service equipment relates to the construction of a new hospital that was approved by the MOH-LTC on September 26, 2008 [note 16]. During the year, the Hospital disposed of \$10,606,970 of building service equipment and equipment and furnishings.

# Woodstock General Hospital Trust

## NOTES TO FINANCIAL STATEMENTS

March 31, 2012

### 10. DEFERRED CONTRIBUTIONS

Deferred contributions consist of the following:

|                                | 2012<br>\$         | 2011<br>\$         |
|--------------------------------|--------------------|--------------------|
| Expenses of future periods [a] | 3,957,952          | 1,203,685          |
| Capital assets [b]             | 250,215,572        | 216,123,827        |
|                                | <u>254,173,524</u> | <u>217,327,512</u> |

#### [a] Deferred contributions related to expenses of future periods

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

|   | 2012<br>\$       | 2011<br>\$       |
|---|------------------|------------------|
| <b>Balance, beginning of year</b>                             | <b>1,203,685</b> | 1,183,313        |
| Add deferred contributions received related to future periods | 2,752,475        | —                |
| Add investment income restricted for other operating purposes | 1,792            | 20,372           |
| <b>Balance, end of year</b>                                   | <b>3,957,952</b> | <b>1,203,685</b> |

## Woodstock General Hospital Trust

### NOTES TO FINANCIAL STATEMENTS

March 31, 2012

#### [b] Deferred contributions related to capital assets

Deferred contributions related to capital assets are as follows:

|  | 2012<br>\$         | 2011<br>\$  |
|--|--------------------|-------------|
| <b>Balance, beginning of year</b>                    | <b>216,123,827</b> | 145,290,046 |
| Additional contributions received [ <i>note 14</i> ] | 39,973,412         | 76,818,110  |
| Investment income on unspent capital contributions   | 214,296            | 301,475     |
| Less amounts amortized to revenue                    | (6,095,963)        | (6,285,804) |
| <b>Balance, end of year</b>                          | <b>250,215,572</b> | 216,123,827 |

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

|   | 2012<br>\$         | 2011<br>\$  |
|---|--------------------|-------------|
| Unamortized capital contributions used to purchase capital assets | 226,487,814        | 36,875,833  |
| Unspent contributions   | 23,727,758         | 179,247,994 |
|   | <b>250,215,572</b> | 216,123,827 |

### 11. 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 [2011 - \$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 Directors on an annual basis. Income transferred to these funds in the current year from the unrestricted fund amounted to \$5,067 [2011 - \$44,365].

## Woodstock General Hospital Trust

### NOTES TO FINANCIAL STATEMENTS

March 31, 2012

#### **12. CONTRACT WITH THE MINISTRY OF COMMUNITY AND SOCIAL SERVICES AND THE MINISTRY OF CHILDREN AND YOUTH SERVICES**

The Hospital has a service contract with the Ministry of Community and Social Services, and the 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.

#### **13. EMPLOYEE FUTURE BENEFITS**

##### **[a] 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, which is a multi-employer, defined benefit, final average earnings, contributory pension plan. The Hospital's contributions to HOOPP during the year amounted to \$3,182,771 [2011 - \$2,956,370].

The most recent actuarial valuation for financial reporting purposes completed by HOOPP as at December 31, 2011, disclosed net assets available for benefits of \$40,321,000,000 [2010 - \$35,717,000,000] with pension obligations of \$36,782,000,000 [2010 - \$34,897,000,000] resulting in a surplus of \$3,539,000,000 [2010 - \$820,000,000].

##### **[b] Other employee benefits**

The accrued obligations for all other employee future benefits, based on amounts determined by independent actuaries, are \$1,632,000 as at March 31, 2012 [2011 - \$1,247,500].

The significant actuarial assumptions adopted in measuring the Hospital's accrued benefit obligations for the other employee future benefits are as follows:

|   | <u>2012</u> | <u>2011</u> |
|---|-------------|-------------|
| Discount rate                             | 4.2%        | 4.9%        |
| Health care trend rate inflation increase | 7.5%        | 7.5%        |

The health care inflation increase is expected to decrease to an ultimate rate of 4.5% in 2033 and thereafter.

## Woodstock General Hospital Trust

### NOTES TO FINANCIAL STATEMENTS

March 31, 2012

The following table presents information related to the Hospital's post-retirement benefits as at March 31, 2012 including the amounts recorded on the statement of financial position, and components of net periodic benefit cost:

|  | 2012<br>\$             | 2011<br>\$       |
|--|------------------------|------------------|
|  | [restated -<br>note 2] |                  |
| <b>Accrued benefit obligation</b>        |                        |                  |
| Balance, beginning of year               | 1,247,500              | 1,174,500        |
| Current service cost                     | 56,600                 | 38,100           |
| Interest cost                            | 74,000                 | 64,200           |
| Benefits paid                            | (91,000)               | (88,900)         |
| Plan amendment                           | 251,500                | —                |
| Actuarial loss                           | 93,700                 | 59,600           |
| Balance, end of year                     | <u>1,632,300</u>       | <u>1,247,500</u> |
| Unamortized net actuarial loss           | (153,300)              | (59,600)         |
| Unamortized past service costs           | <u>(217,000)</u>       | <u>—</u>         |
| <b>Employee future benefit liability</b> | <u>1,262,000</u>       | <u>1,187,900</u> |

The Hospital recognized \$165,100 [2011 - \$102,300] in benefit costs related to the post-retirement benefits plan in fiscal 2012. Unamortized actuarial losses (gains) are amortized over the average remaining service period. The Hospital's benefit plan expense was as follows:

|                                 | 2012<br>\$             | 2011<br>\$     |
|---------------------------------|------------------------|----------------|
|                                 | [restated -<br>note 2] |                |
| Current service cost            | 56,600                 | 38,100         |
| Interest cost                   | 74,000                 | 64,200         |
| Amortization of                 |                        |                |
| Past service cost               | <u>34,500</u>          | <u>—</u>       |
| <b>Net benefit plan expense</b> | <u>165,100</u>         | <u>102,300</u> |

## Woodstock General Hospital Trust

### NOTES TO FINANCIAL STATEMENTS

March 31, 2012

#### 14. RELATED PARTY TRANSACTIONS

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

- Management fees of \$188,000 [2011 - \$196,000] from Oxford ProResp Inc. have been included in other revenue.
- A donation of \$17,306 [2011 - \$5,000] was received from the Woodstock Auxiliary for equipment purchases and capital projects.
- A donation of \$18,264,893 [2011 - \$2,717,418] was received from the Foundation during the year and has been included in deferred contributions [*note 10[b]*].

#### 15. STATEMENT OF CASH FLOWS

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

|  | 2012                     | 2011                      |
|--|--------------------------|---------------------------|
|  | \$                       | \$                        |
| <b>Decrease (increase) in current assets</b>                           |                          |                           |
| Accounts receivable  | 4,867,993                | (5,437,773)               |
| Inventories  | 19,858                   | (42,503)                  |
| Prepaid expenses   | <u>(377,932)</u>         | <u>141,661</u>            |
|  | <b>4,509,919</b>         | <b>(5,338,615)</b>        |
| <b>Increase (decrease) in current liabilities</b>                      |                          |                           |
| Accounts payable and accrued liabilities, and employee future benefits | <u>9,611,244</u>         | <u>1,203,134</u>          |
|  | <b><u>14,121,163</u></b> | <b><u>(4,135,481)</u></b> |

## Woodstock General Hospital Trust

### NOTES TO FINANCIAL STATEMENTS

March 31, 2012

#### 16. LONG-TERM OBLIGATION

The Hospital entered into an alternative financing and procurement ["AFP"] project agreement under Infrastructure Ontario for the construction, financing and maintenance of a new hospital in Woodstock. The project was built and financed during the construction period by an unrelated joint venture created to carry out the construction within the AFP agreement. Construction commenced in October 2008 and was substantially complete in June 2011. Under terms of the Project Agreement, payments that total approximately \$584 million will be made by the Hospital over a 30-year period with payments having commenced after the substantial completion date. Of this total amount, payments for principal and interest are expected to be \$397 million. As at March 31, 2012, a long-term obligation for \$164 million [2011 - \$183 million] has been recorded related to outstanding principal amounts. Based on the agreement signed with the MOH-LTC, the Hospital has recognized the share of MOH-LTC funding for the new hospital as a long-term receivable in the amount of \$165 million [2011 - \$164 million] and a corresponding deferred contribution. The Hospital, through its Local Share Plan, has received commitments from the Foundation and the City of Woodstock to fund a portion of the remainder of the project, with the balance of funding [if any] coming from the Hospital.

Over the 30-year period, payments related to facilities and lifecycle maintenance are expected to be \$141 million and \$45 million, respectively [note 17]. Payments related to facilities maintenance and lifecycle costs will be indexed over the term of the agreement to provide for changes in certain operating costs. The Hospital has entered into an agreement with the MOH-LTC to share in these project costs based on MOH-LTC funding policy. The MOH-LTC shares in these project costs at various rates with its share of eligible construction costs being 90%.

In addition, a Sinking Fund Trust Account was opened by the Hospital according to requirements under the Development Accountability Agreement with the MOH-LTC. The primary purpose of this fund was to hold amounts equal to the Hospital's share of the construction project in trust for future disbursement to other parties. It currently holds approximately \$2.4 million in cash and investments.

Unspent capital funds received or receivable of \$23.7 million [2011 - \$179.2 million] from the MOH-LTC for new hospital development costs are restricted by the MOH-LTC and have been shown in the financial statements as part of unspent deferred contributions [note 10] and included in the Hospital's investments [note 7].

## Woodstock General Hospital Trust

### NOTES TO FINANCIAL STATEMENTS

March 31, 2012

#### 17. COMMITMENTS

Future annual service principal payments to pay for operating facility obligations are as follows:

|            | \$                 |
|------------|--------------------|
| 2013       | 3,560,666          |
| 2014       | 3,685,810          |
| 2015       | 3,728,624          |
| 2016       | 4,106,450          |
| 2017       | 4,029,567          |
| Thereafter | <u>164,491,354</u> |

A portion of these future obligations are to be funded by the MOH-LTC over the length of the contract.

#### 18. 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.

#### 19. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2012 financial statements.