

Financial Statements of

**GEORGIAN BAY
GENERAL HOSPITAL**

Years ended March 31, 2013 and 2012



KPMG LLP
Chartered Accountants
Claridge Executive Centre
144 Pine Street PO Box 700
Sudbury ON P3E 4R6

Telephone (705) 675-8500
Fax (705) 675-7586
In Watts (1-800) 461-3551
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of Georgian Bay General Hospital

We have audited the accompanying financial statements of **Georgian Bay General Hospital** which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in deficiency in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and notes, comprising 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 public sector accounting standards, 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 our 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, we 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 Georgian Bay General Hospital as at March 31, 2013, March 31, 2012 and April 1, 2011, and its results of operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.

Chartered Accountants, Licensed Public Accountants

May 23, 2013
Sudbury, Canada

GEORGIAN BAY GENERAL HOSPITAL

Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011


	March 31, 2013	March 31, 2012	April 1, 2011
		(restated - note 2)	(restated - note 2)
Assets			
Current assets:			
Cash	\$ 1,077,212	647,847	6,450
Accounts receivable (note 3)	2,479,025	1,700,517	1,657,393
Inventories	687,956	791,873	725,518
Prepayments	563,233	464,780	444,536
	4,807,426	3,605,017	2,833,897
Capital assets (note 4)	14,976,980	13,774,487	13,901,570
	\$ 19,784,406	17,379,504	16,735,467

Liabilities and Deficiency in Net Assets


Current liabilities:			
Bank indebtedness (note 5)	\$ 2,570,758	—	328,899
Accounts payable and accrued liabilities (note 6)	8,921,718	9,116,217	7,213,391
Current portion of long-term obligations (note 8)	183,446	142,558	134,076
	11,675,922	9,258,775	7,676,366
Deferred capital contributions (note 7)	10,376,734	9,448,055	9,126,123
Long-term obligations (note 8)	5,068,905	4,298,709	3,853,751
Total liabilities	27,121,561	23,005,539	20,656,240
Deficiency in net assets	(7,337,155)	(5,626,035)	(3,920,773)
Contingencies (note 12)			
	\$ 19,784,406	17,379,504	16,735,467

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

GEORGIAN BAY GENERAL HOSPITAL

Statements of Operations

Years ended March 31, 2013 and 2012

	2013	2012 (restated - note 2)
Revenue:		
North Simcoe Muskoka Local Health Integration Network/Ministry of Health and Long-Term Care	\$ 46,521,206	45,168,044
Patient services	3,671,528	3,712,555
Other	3,709,712	2,865,914
Amortization - deferred capital contributions for equipment	962,728	940,627
	<u>54,865,174</u>	<u>52,687,140</u>
Expenses:		
Salaries and wages	28,522,905	28,121,310
Employee benefits	8,772,476	8,815,895
Medical staff remuneration	3,231,611	2,872,406
Supplies and other	9,623,318	9,598,542
Drugs, medical and surgical	4,386,473	3,513,267
Amortization - equipment	1,003,815	967,579
	<u>55,540,598</u>	<u>53,888,999</u>
Deficiency of revenue over expenses - operations	(675,424)	(1,201,859)
Amortization - buildings, land improvements and building service equipment	(1,047,996)	(828,368)
Amortization - deferred capital contributions for buildings, land improvements and building service equipment	365,169	335,788
Deficiency of revenue over expenses before undernoted items	(1,358,251)	(1,694,439)
Specifically funded programs - revenues	2,222,330	1,981,919
Specifically funded programs - expenses	(2,575,199)	(2,420,120)
Deficiency of revenue over expenses - specifically funded programs	(352,869)	(438,201)
Deficiency of revenue over expenses	\$ (1,711,120)	(2,132,640)

See accompanying notes to financial statements.

GEORGIAN BAY GENERAL HOSPITAL

Statements of Changes in Deficiency in Net Assets

Years ended March 31, 2013 and 2012

	2013	2012 (restated - note 2)
Deficiency in net assets, beginning of year	\$ (5,626,035)	(3,920,773)
Transfer from Penetanguishene General Hospital	-	427,378
Deficiency of revenue over expenses	(1,711,120)	(2,132,640)
Deficiency in net assets, end of year	\$ (7,337,155)	(5,626,035)

See accompanying notes to financial statements.

GEORGIAN BAY GENERAL HOSPITAL

Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012 (restated - note 2)
Cash flows from operating activities:		
Deficiency of revenue over expenses	\$ (1,711,120)	(2,132,640)
Adjustments for:		
Amortization of capital assets	2,051,811	1,795,947
Amortization of deferred capital contributions	(1,327,897)	(1,276,415)
Increase in liability for employee post-retirement benefits	110,000	650,800
Loss on disposal of capital assets	2,989	-
	(874,217)	(962,308)
Change in non-cash working capital (note 9)	(967,543)	1,773,103
	(1,841,760)	810,795
Cash flows from investing activities:		
Purchase of capital assets	(3,257,293)	(1,668,864)
Increase (decrease) in long-term obligations	701,084	(197,360)
	(2,556,209)	(1,866,224)
Cash flows from financing activities:		
Increase in deferred capital contributions	2,256,576	1,598,347
Transfer from Penetanguishene General Hospital	-	427,378
Net increase (decrease) in cash	(2,141,393)	970,296
Cash (bank indebtedness), beginning of year	647,847	(322,449)
Cash (bank indebtedness), end of year	\$ (1,493,546)	647,847
Cash (bank indebtedness) consist of:		
Cash	\$ 1,077,212	647,847
Bank indebtedness	(2,570,758)	-
	\$ (1,493,546)	647,847

See accompanying notes to financial statements.

GEORGIAN BAY GENERAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

The Georgian Bay General Hospital (the "Hospital") is incorporated without share capital under the laws of Ontario. The Hospital is a charitable organization and is a registered charity within the meaning of the Income Tax Act (Canada) and as such is exempt from income taxes. The Hospital is principally involved in providing health care services to the North Simcoe Region of Ontario.

On April 1, 2012, the Hospital adopted Canadian public sector accounting standards. The Hospital has also elected to apply the 4200 standards for government not-for-profit organizations. These are the first financial statements prepared in accordance with these public sector accounting standards.

In accordance with the transitional provisions in Canadian public sector accounting standards, the Hospital has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying public sector accounting standards.

A summary of transitional adjustments recorded to net assets and deficiency of revenue over expenses is provided in note 2.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

(a) Revenue recognition:

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

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the straight-line basis, at rates corresponding to those of the related capital assets.

Revenue from patient and other services is recognized when the service is provided.

(b) Inventories:

Inventories of supplies are stated at the lower of cost and net realizable value. Inventory costs for housekeeping, maintenance, pharmacy, laboratory and x-ray are generally determined on a first-in, first-out basis. All other inventories are costed on a weighted average basis. Net realizable value has been determined using the current retail price.

GEORGIAN BAY GENERAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

1. Significant accounting policies (continued):

(c) Capital assets:

Capital assets are recorded at cost. Assets acquired under capital leases are initially recorded at the present value of the future minimum lease payments and amortized over the useful life of the assets. Minor equipment replacements are expensed in the year of replacement.

Construction in progress is not amortized until construction is complete and the facilities come into use.

Amortization is provided on the straight-line basis at the following range of annual rates:

Land improvements	4%
Buildings	25%
Building service equipment	4% - 20%
Machinery and equipment	5% - 20%

In the year of acquisition, amortization is pro-rated based on the date of service.

Long-lived assets, including capital assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Hospital uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer amortized. The asset and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the statement of financial position.

(d) Related entities:

The notes to financial statements include information of the following entities (note 11):

Georgian Bay General Hospital Foundation
Georgian Bay General Hospital Volunteer Association

These entities are not consolidated. The Hospital has an economic interest in these entities.

GEORGIAN BAY GENERAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

1. Significant accounting policies (continued):

(e) Employee post-retirement benefits:

The Hospital accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care costs.

Actuarial gains (losses) on the accrued benefit obligation arise from changes in actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the employee benefit plan is 12 years.

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

The Hospital is an employer member of the Health Care of Ontario Pension Plan (the "Plan"), which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Hospital records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

(f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods specified. Significant items subject to such estimates and assumptions include the carrying amount of capital assets; valuation allowances for receivables, and inventories; valuation of financial instruments; and assets and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

(g) Funding adjustments:

The Hospital receives grants from the North Simcoe Muskoka Local Health Integration Network ("NSMLHIN") and the Ministry of Health and Long-Term Care ("MOHLTC") for specific services. Pursuant to the related agreements, if the Hospital does not meet specified levels of activity, the MOHLTC or NSMLHIN are entitled to seek recoveries. Should any amounts become recoverable, the recoveries would be charged to operations in the period in which the recovery is determined to be payable. Should programs and activities incur a deficit, the Hospital records any recoveries thereon when additional funding is received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

GEORGIAN BAY GENERAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

1. Significant accounting policies (continued):

(h) Contributed services:

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

(i) Contributed materials:

The Hospital has not recognized contributed materials in these financial statements as these materials are not normally purchased and because of the difficulty in estimating their fair market value.

(j) Financial instruments:

All financial instruments are initially recorded on the statement of financial position at fair value.

All investments, if any, held in equity instruments that trade in an active market are recorded at fair value. Management has elected to record investments at fair value as they are managed and evaluated on a fair value basis. Freestanding derivative instruments that are not equity instruments that are quoted in an active market are subsequently measured at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

All financial assets are assessed for impairment on an annual basis. Where a decline in fair value is determined to be other than temporary, the amount of the loss is recognized in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses. On sale, the statement of remeasurement gains and losses associated with that instrument are reversed and recognized in the statement of operations.

GEORGIAN BAY GENERAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

2. Transitional adjustments and restatements:

(a) Deficiency in net assets:

The following table summarizes the impact of the transition to Canadian public sector accounting standards on the Hospital's net assets as of April 1, 2011 and correction of a prior period error:

Net assets:

As previously reported under Canadian generally accepted accounting principles, March 31, 2011	\$ (1,508,060)
Impact of transition to Canadian public sector accounting standards	(896,673)
Correction of prior period error to reflect recognition of pay equity liability	(1,516,040)
Restated, April 1, 2011	\$ (3,920,773)

(1) The impact of the transition to Canadian public sector accounting standards is comprised of three components:

(i) Transitional provisions

In accordance with transitional provisions of Canadian public sector accounting standards, the Hospital has elected to recognize actuarial gains and losses at the date of transition to Canadian public sector accounting standards directly in net assets. As a result, the Hospital has recognized an increased liability and a charge to net assets.

(ii) Past service costs

Canadian public sector accounting standards require past service costs arising from plan amendments to be recognized immediately in the period the plan amendments occur. As a result, the Hospital has recognized an increased liability and a charge to net assets for unamortized past service costs at the transition to Canadian public sector accounting standards.

(iii) Discount rate used to calculate employee post-retirement benefits

Canadian public sector accounting standards require these liabilities to be calculated with a discount rate that is equal to either the Hospital's rate of borrowing or the rate of return on the plan assets. Prior to transition to these new standards, the discount rate to be equal to the yield on high quality corporate bonds. Under Canadian public sector accounting standards, the Hospital has adopted a discount rate that is indicative of its long-term cost of borrowing. The change in the discount rate resulted in changes to the related liability and a corresponding adjustment to net assets at the transition to public sector accounting standards.

Additional information concerning post-retirement benefits is presented in note 8.

GEORGIAN BAY GENERAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

2. Transitional adjustments and restatements (continued):

(a) Deficiency in net assets (continued):

(2) Correction of prior period error:

The Hospital has also restated its previously reported deficiency in net assets to adjust for a pay equity settlement involving certain of its employees, which had not previously been recorded as a liability in the Hospital's financial statements. As a result of this adjustment, the Hospital has recognized an increased deficiency in net assets, with a corresponding increase in liabilities.

(b) Statement of operations:

As a result of the retrospective application of Canadian public sector accounting standards, the Hospital recorded the following adjustments to deficiency of revenue over expenses for the year ended March 31, 2012, with a corresponding increase to liabilities:

Deficiency of revenue over expenses:

As previously reported under Canadian generally accepted accounting principles for the year ended March 31, 2012	\$ (842,103)
Impact of transition to Canadian public sector accounting standards	(379,200)
Correction of prior period error to reflect recognition of pay equity liability	(911,337)

Restated for the year ended March 31, 2012	\$ (2,132,640)
---	-----------------------

3. Accounts receivable:

	March 31, 2013	March 31, 2012	April 1, 2011
North Simcoe Muskoka Local Health Integration Network/Ministry of Health and Long-Term Care	\$ 590,608	128,555	332,384
Patients and clients	920,899	1,101,385	920,039
Canada Revenue Agency (HST/GST)	168,840	168,792	86,399
Other	866,416	355,928	367,342
	2,546,763	1,754,660	1,706,164
Less allowance for doubtful accounts	(67,738)	(54,143)	(48,771)
	\$ 2,479,025	1,700,517	1,657,393

GEORGIAN BAY GENERAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

4. Capital assets:

March 31, 2013	Cost	Accumulated Amortization	Net book Value
Land	\$ 82,083	—	82,083
Land improvements	474,745	351,753	122,992
Buildings	17,782,439	10,909,591	6,872,848
Building service equipment	4,539,206	1,368,409	3,170,797
Machinery and equipment	17,656,783	15,089,060	2,567,723
Assets under capital leases	1,984,753	926,218	1,058,535
Assets under construction	1,102,002	—	1,102,002
	\$ 43,622,011	28,645,033	14,976,980

March 31, 2012	Cost	Accumulated Amortization	Net book Value
Land	\$ 82,083	—	82,083
Land improvements	474,745	343,705	131,040
Buildings	17,433,655	10,375,974	7,057,681
Building service equipment	2,921,386	1,110,868	1,810,518
Machinery and equipment	17,401,283	14,374,647	3,026,636
Assets under capital leases	1,984,753	793,901	1,190,852
Assets under construction	475,677	—	475,677
	\$ 40,773,582	26,999,095	13,774,487

April 1, 2011	Cost	Accumulated Amortization	Net book Value
Land	\$ 82,083	—	82,083
Land improvements	474,745	334,816	139,929
Buildings	17,122,325	9,876,803	7,245,522
Building service equipment	2,185,106	921,610	1,263,496
Machinery and equipment	16,988,392	13,420,178	3,568,214
Assets under capital leases	1,984,753	661,584	1,323,169
Assets under construction	279,157	—	279,157
	\$ 39,116,561	25,214,991	13,901,570

GEORGIAN BAY GENERAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

5. Bank indebtedness:

The Hospital has a revolving credit facility with the Bank of Nova Scotia to a maximum authorized amount of \$3,500,000 of which \$3,500,000 was undrawn as at March 31, 2013 (2012 - \$3,500,000). Interest is payable monthly and is charged on the amount drawn at the bank's prime rate minus 0.50%. The credit facility is unsecured and is due on demand.

6. Accounts payable and accrued liabilities:

	March 31, 2013	March 31, 2012 (restated - note 2)	April 1, 2011 (restated - note 2)
Accounts payable and accrued liabilities:			
- trade payables	\$ 5,098,503	3,247,467	3,187,874
- North Simcoe Muskoka Local Health Integration Network/Ministry of Health and Long-Term Care	83,200	443,931	144,250
Payroll accruals:			
- salaries and wages	1,866,557	3,665,256	2,112,180
- vacation pay	882,662	847,383	857,136
- sick leave	7,462	8,831	8,740
Deferred revenue	983,334	903,349	903,211
	<u>\$ 8,921,718</u>	<u>9,116,217</u>	<u>7,213,391</u>

7. Deferred capital contributions:

Deferred capital contributions represent the unamortized and unspent balances of donations and grants restricted for capital asset acquisitions. Details of the continuity of these funds are as follows:

	March 31, 2013	March 31, 2012	April 1, 2011
Balance, beginning of year	\$ 9,448,055	9,126,123	9,560,855
Additional contributions received	2,256,576	1,598,347	742,274
Less amounts amortized to revenue	(1,327,897)	(1,276,415)	(1,177,006)
Balance, end of year	<u>\$ 10,376,734</u>	<u>9,448,055</u>	<u>9,126,123</u>

GEORGIAN BAY GENERAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

7. Deferred capital contributions (continued):

The balance of unamortized and unspent funds consists of the following:

	March 31, 2013	March 31, 2012	April 1, 2011
Unamortized	\$ 8,920,749	8,818,431	8,600,588
Unspent:			
Equipment	1,455,985	629,624	525,535
	\$ 10,376,734	9,448,055	9,126,123

During the year, the Georgian Bay General Hospital Foundation approved contributions of \$1,907,844 (2012 - \$1,211,312) to the Hospital which were used for capital expenditures and are included above.

8. Long-term obligations:

	March 31, 2013	March 31, 2012	April 1, 2011
		(restated - note 2)	(restated - note 2)
Loan payable	\$ 829,264	—	—
Obligation under capital lease	1,224,987	1,353,167	1,550,527
Employee post-retirement benefits	3,198,100	3,088,100	2,437,300
	5,252,351	4,298,709	3,987,827
Less current portion	(183,446)	(142,558)	(134,076)
	\$ 5,068,905	4,298,709	3,853,751

(i) Loan payable:

The Hospital has entered into a non-revolving term loan agreement to finance energy improvements to a total amount of \$3,200,000. As at March 31, 2013, a total of \$829,264 was borrowed under the agreement.

The loan bears interest at a rate of prime less 0.5%. Payments for interest only are required until the loan is fully advanced, at which time it will be repayable in monthly installments of \$26,667 plus interest.

GEORGIAN BAY GENERAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

8. Long-term obligations (continued):

(ii) Obligation under capital lease:

The obligation under capital was incurred for the purposes of purchasing equipment, bears interest at a rate of 3.57% and is repayable in monthly installments of \$18,374.

Future minimum lease payments are as follows:

2013	\$	220,491
2014		220,491
2015		220,491
2016		220,491
2017		220,491
2018 and thereafter		260,417
		1,362,872
Less interest included in lease payments		137,885
Present value of future minimum lease payments	\$	1,224,987

(iii) Employee post-retirement benefits:

The Hospital provides post-retirement extended healthcare medical and dental benefits to a number of employees. The most recent valuation of the employee future benefits was completed as at April 1, 2012. The next full valuation of the plan will be effective April 1, 2015.

The accrued benefit obligation is recorded in the financial statements as follows:

	2013	2012
		(restated - note 2)
Balance, beginning of year	\$ 3,088,100	2,437,300
Add: Benefit costs	306,400	815,000
	3,394,500	3,252,300
Less: Benefit contributions	(196,400)	(164,200)
Balance, end of year	\$ 3,198,100	3,088,100

Similar to most post-employment benefit plans (other than pension) in Canada, the Hospital's plan is not pre-funded, resulting in plan deficit equal to the accrued benefit obligation.

GEORGIAN BAY GENERAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

8. Long-term obligations (continued):

(iii) Employee post-retirement benefits (continued):

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

	March 31, 2013	March 31, 2012 (restated - note 2)	April 1, 2011 (restated - note 2)
Discount rate	3.75%	4.50%	4.50%
Dental cost trend rates	4.00%	4.00%	4.00%
Extended health care trend rates	7.50%	8.00%	8.50%

9. Change in non-cash working capital:

	2013	2012 (restated - note 2)
Accounts receivable	\$ (778,508)	(43,124)
Inventories	103,917	(66,355)
Prepayments	(98,453)	(20,244)
Accounts payable and accrued liabilities	(194,499)	1,902,826
	\$ (967,543)	1,773,103

10. Pension plan:

Substantially all of the employees of the Hospital are members of the Health Care of Ontario Pension Plan (the "Plan") which is a multi-employer defined benefit plan. Contributions to the Plan made during the year on behalf of employees amounted to \$2,227,195 (2012 - \$2,161,016) and are included in employee benefits in the statement of operations.

GEORGIAN BAY GENERAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

11. Other entities:

The Hospital has economic interest in the Foundation and Volunteer Association.

The Georgian Bay General Hospital Foundation was created for the purpose of promoting and participating in fundraising programs in order to raise money for capital projects and to assist in undertaking all phases of medical research. During the year, the Hospital received donations amounting to \$2,082,217 (2012 - \$1,234,433) from the Georgian Bay General Hospital Foundation.

The Georgian Bay General Hospital Volunteer Association was created for the purpose of promoting and participating in fundraising activities in order to raise money for capital equipment, health related community projects and volunteer activities.

Pertinent financial information of the Foundation and Volunteer Association as at and for the year ended March 31 is as follows:

	Georgian Bay General Hospital Foundation		Georgian Bay General Hospital Volunteer Association	
	2012	2011	2012	2011
Financial position:				
Total assets	\$ 4,217,236	3,526,705	62,738	78,685
Total liabilities	\$ 68,243	28,092	8,805	4,952
Net assets	4,148,993	3,498,613	53,933	73,733
	\$ 4,217,236	3,526,705	62,738	78,685
Results of operations:				
Total revenue	\$ 2,098,767	1,229,394	183,033	175,379
Total expenses	1,448,387	934,688	202,833	177,367
Net revenue (deficiency)	\$ 650,380	294,706	(19,800)	(1,988)

Financial information for Georgian Bay General Hospital Foundation and Georgian Bay General Hospital Volunteer Association for 2013 was not available at the time of the audit report.

GEORGIAN BAY GENERAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and 2012

12. Contingencies:

(a) Legal matters and litigation:

The Hospital is involved in certain legal matters and litigation, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved. Management is of the opinion that these matters are mitigated by adequate insurance coverage.

(b) Insurance:

A group of healthcare institutions, including the Hospital, are members of the HealthCare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the liability insurance risk of its members. All members pay annual deposit premiums which are actuarially determined and are subject to further assessment for losses, if any, experienced by the pool for the years in which they are members. As at March 31, 2013 and 2012, no assessments have been received.

(c) Employment matters:

During the normal course of business, the Hospital is involved in certain employment related negotiations and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable.

13. Other information:

Interim long-term care program:

The Hospital is in negotiations with the Ministry of Health and Long-term Care to obtain funding for deficits incurred by its interim long-term care program on the basis that the transfer of the program was to be revenue-neutral to the Hospital. Since the transfer of the program to the Hospital in 2009, the Hospital has incurred a cumulative deficit of \$802,829 (2012 - \$449,960). To the extent that additional funding is obtained for the program, it will be reflected as revenue in the year it is received.

14. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to credit risk with respect to accounts receivable and other investments.

The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Hospital at March 31, 2013 and 2012 is the carrying value of these assets.

GEORGIAN BAY GENERAL HOSPITAL

Notes to Financial Statements

Years ended March 31, 2013 and March 31, 2012

14. Financial risks and concentration of credit risk (continued):

(a) Credit risk (continued):

Management considers credit risk to be minimal as most of the accounts receivable balance is collected in a timely fashion.

The Hospital follows an investment policy approved by the Board of Directors. The maximum exposure to credit risk of the Hospital at March 31, 2013 and 2012 is the carrying value of these assets.

There have been no significant changes to the credit risk exposure from 2012.

(b) Liquidity risk:

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2012.

15. Change in accounting policy:

On April 1, 2012, the Hospital adopted Public Accounting Standards *PS 3450 – Financial Instruments and PS 2601 – Foreign Currency Translation*. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3450, all financial instruments are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the Hospital's accounting policy choices (see Note 1 - Significant Accounting Policies).

The adoption of these standards did not have a significant effect on the Hospital's financial statements for the year ended March 31, 2013.