

Financial Statements of

**ST. THOMAS-ELGIN GENERAL HOSPITAL**

Year ended March 31, 2004

## AUDITORS' REPORT

To the Chairman and Board of Governors of St. Thomas-Elgin General Hospital

We have audited the statement of financial position of St. Thomas-Elgin General Hospital as at March 31, 2004 and the statements of operations, and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the St. Thomas-Elgin General Hospital as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative amounts were audited by another firm of Chartered Accountants.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that serves as a separator or underline.

Chartered Accountants

London, Canada  
May 14, 2004

# ST. THOMAS-ELGIN GENERAL HOSPITAL

## Statement of Financial Position

March 31, 2004, with comparative figures for 2003

	2004	2003
<b>Assets</b>		
Current assets:		
Accounts receivable	\$ 5,206,510	\$ 5,418,091
Due from St. Thomas-Elgin General Hospital Foundation	8,863	12,671
Inventories	495,594	457,231
Prepaid expenses	721,155	621,024
	<u>6,432,122</u>	<u>6,509,017</u>
Capital assets (note 2)	38,247,573	37,934,931
Assets held for sale	261,984	261,984
Prepaid expenses	382,037	463,925
Restricted investments (note 9)	1,458,663	1,444,894
	<u>\$ 46,782,379</u>	<u>\$ 46,614,751</u>
<b>Liabilities, Deferred Contributions and Net Assets</b>		
Current liabilities:		
Bank indebtedness (note 5)	\$ 12,278,306	\$ 14,244,420
Accounts payable and accrued liabilities	4,589,058	3,912,420
Due to St. Thomas-Elgin General Hospital Auxiliary	370,204	313,390
Current portion of obligation under capital lease (note 13)	43,690	-
Current portion of long-term debt (note 4)	2,317,517	175,494
	<u>19,598,775</u>	<u>18,645,724</u>
Obligation under capital lease (note 13)	65,010	-
Long-term debt (note 4)	3,330,085	1,780,936
Sick leave and vacation benefit	4,072,548	3,813,572
Employee future benefits (note 7)	636,000	620,200
Deferred capital contributions (note 6)	9,702,531	9,466,027
	<u>23,050,724</u>	<u>26,774,458</u>
Net assets:		
Invested in capital assets (note 8)	23,050,724	26,774,458
Restricted (note 9)	1,413,081	1,399,312
Unrestricted	(15,131,957)	(15,931,060)
Endowments	45,582	45,582
	<u>9,377,430</u>	<u>12,288,292</u>
Contingencies (note 14)		
Commitments (note 15)		
	<u>\$ 46,782,379</u>	<u>\$ 46,614,751</u>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Governor

\_\_\_\_\_ Governor

# ST. THOMAS-ELGIN GENERAL HOSPITAL

## Statement of Operations

Year ended March 31, 2004, with comparative figures for 2003

	2004	2003
Revenue (Schedule)	\$ 56,177,487	\$ 52,524,704
Expenses:		
Direct Operating (Schedule)	39,623,037	37,182,705
Non-clinical support program (Schedule)	17,225,820	16,221,824
	<u>56,848,857</u>	<u>53,404,529</u>
Deficiency of revenue over expenses from operations before the undernoted	(671,370)	(879,825)
Depreciation of capital assets	(2,612,003)	(2,387,438)
Amortization of deferred contributions (note 6)	1,041,921	827,375
Loss on disposal of capital asset	(99,440)	-
Interest expense	(569,970)	(390,504)
Deficiency of revenue over expenses	<u>\$ (2,910,862)</u>	<u>\$ (2,830,392)</u>

See accompanying notes to financial statements.

## ST. THOMAS-ELGIN GENERAL HOSPITAL

### Statement of Changes in Net Assets

Year ended March 31, 2004, with comparative figures for 2003

	Invested in capital assets	Restricted	Unrestricted	Endowment	Total 2004	Total 2003
Balance, beginning of year	\$ 26,774,458	\$ 1,399,312	\$ (15,931,060)	\$ 45,582	\$ 12,288,292	\$ 15,118,684
Deficiency of revenue over expenses	(1,669,522)	-	(1,241,340)	-	(2,910,862)	(2,830,392)
Net change in investment in capital assets (note 8)	(2,054,212)	-	2,054,212	-	-	-
Transfer to restricted	-	13,769	(13,769)	-	-	-
Balance, end of year	\$ 23,050,724	\$ 1,413,081	\$ (15,131,957)	\$ 45,582	\$ 9,377,430	\$ 12,288,292

See accompanying notes to financial statements.

# ST. THOMAS-ELGIN GENERAL HOSPITAL

## Statement of Cash Flows

Year ended March 31, 2004, with comparative figures for 2003

	2004	2003
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (2,910,862)	\$ (2,830,392)
Adjustments for:		
Depreciation of capital assets	2,612,003	2,387,438
Loss on disposal of capital assets	99,440	-
Amortization of deferred contributions	(1,041,921)	(827,375)
Changes in non-cash operating working capital (note 11)	892,235	(2,511,677)
	(349,105)	(3,782,006)
Investing activities:		
Purchase of capital assets	(3,024,085)	(4,334,007)
Net change in restricted investments	(13,769)	(23,790)
	(3,037,854)	(4,357,797)
Financing activities:		
Long-term debt	3,691,172	1,883,024
Obligation under capital lease	108,700	-
Sick leave and vacation benefit	258,976	66,589
Employee future benefits	15,800	10,700
Deferred capital contributions	1,278,425	1,282,843
	5,353,073	3,243,156
Increase (decrease) in cash and investments	1,966,114	(4,896,647)
Bank indebtedness, beginning of year	(14,244,420)	(9,347,773)
Bank indebtedness, end of year	\$ (12,278,306)	\$ (14,244,420)

See accompanying notes to financial statements.

# ST. THOMAS-ELGIN GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2004

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St. Thomas-Elgin General Hospital ("the Hospital") is funded by the Province of Ontario in accordance with funding policies established by the Ontario Ministry of Health and Long-Term Care ("MoHLTC"). Any excess of revenue over expenses earned during a fiscal year may be retained by the Hospital. There is currently no commitment to fund deficits incurred by the Hospital by the MoHLTC. Therefore, to the extent that deficits are incurred and not funded, future operations may be affected.

## 1. Accounting policies:

The financial statements have been prepared in accordance with generally accepted accounting principles in Canada.

### (a) Basis of presentation:

The ability of the Hospital to continue as a going concern is dependent on the adequacy of funding from MoHLTC, as well as other revenue and financial support received from programs, the Hospital's bank, and related entities.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Hospital will realize the carrying value of its assets and satisfy its obligations as they become due in the normal course of operations (note 5).

### (b) Revenue recognition:

The deferred method of accounting for contributions is followed.

Unrestricted contributions are recognized as revenue if the amount to be received can be estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

### (c) Inventories:

Inventories, consisting of hospital supplies are valued at the lower of cost and replacement value.

# ST. THOMAS-ELGIN GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2004

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## 1. Accounting policies (continued):

### (d) Capital assets:

Purchased capital assets are recorded at cost. Depreciation of original cost and any corresponding deferred contributions are calculated on a straight-line bases using the following annual rates:

Asset	Rate
Land improvements	1.5% - 2.5%
Buildings	3% - 5%
Furniture and equipment	5% - 20%

Construction in progress comprises of construction and development costs and capitalized interest. No depreciation is recorded until construction is substantially complete and the assets are ready for productive use.

### (e) Deferred capital contributions:

The value of deferred capital contributions is recorded at fair market value at the date of contribution and amortized over the estimated life of the assets purchased with the contributions.

### (f) Use of estimates:

The preparation of the financial statements in conformity with generally accepted accounting principles 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

# ST. THOMAS-ELGIN GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2004

## 2. Capital assets:

			2004	2003
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 35,342	\$ -	\$ 35,342	\$ 35,342
Buildings	45,833,785	14,850,567	30,983,218	29,721,772
Furniture and equipment	25,498,710	20,254,992	5,243,718	6,650,453
Software development	641,776	170,554	471,222	457,078
Construction in progress	1,514,073	-	1,514,073	1,070,286
	<b>\$ 73,523,686</b>	<b>\$ 35,276,113</b>	<b>\$ 38,247,573</b>	<b>\$ 37,934,931</b>

## 3. Assets held for sale:

At March 31, 2004, the Hospital planned to dispose of certain property and equipment. The carrying value of these assets has not been adjusted as it is the opinion of management that disposal proceeds will not differ materially from recorded amounts.

## 4. Long-term debt:

	2004	2003
7.18% bank term loan, secured by equipment, payable in blended quarterly payments including principal and interest amounting to \$48,616, balance due on December 1, 2007	\$ 1,109,975	\$ 1,219,287
7.15% bank term loan, secured by equipment, payable in blended quarterly payments including principal and interest amounting to \$29,285, balance due on October 25, 2007	670,961	737,143
6.5% term loan, secured by equipment, payable in blended quarterly payments including principal and interest amounting to \$96,783, balance due February 1, 2009	2,000,000	-
Demand loan, secured by equipment, payable in monthly payments of \$16,667, including principal and interest at CIBC prime, due through July 1, 2013	1,866,666	-
	<b>5,647,602</b>	<b>1,956,430</b>
Less current portion of long-term debt	2,317,517	175,494
	<b>\$ 3,330,085</b>	<b>\$ 1,780,936</b>

# ST. THOMAS-ELGIN GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2004

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## 4. Long-term debt (continued):

Aggregate annual principal amounts due on long-term debt for the next five years are:

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2005	\$	650,854
2006		682,413
2007		716,184
2008		1,691,622
2009		1,039,883
Thereafter		866,646
	\$	5,647,602

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## 5. Credit facilities:

The credit facilities established for the Hospital consist of an unsecured operating line of credit of \$10,000,000 at Canadian bank prime rate less 0.25%, in addition to the long-term liabilities described in note 4. As at April 15, 2004 credit facilities have been reduced to \$8,000,000. The Hospital is working with the Ministry and its lender to provide remedies.

## 6. Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized amount of contributions received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations and operating fund balance.

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	2004	2003
Balance, beginning of year	\$ 9,466,027	\$ 9,010,559
Additional contributions	1,278,425	1,282,843
Amounts amortized to revenue	(1,041,921)	(827,375)
Balance, end of year	\$ 9,702,531	\$ 9,466,027

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# ST. THOMAS-ELGIN GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2004

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## 7. Employee future benefits:

### (a) Pension Plan:

Substantially all full time employees of the Hospital are members of the Hospitals of Ontario Pension Plan ("the Plan"). This Plan is a multi-employer, defined benefit pension plan.

Employer contributions to the Plan on behalf of employees amounted to \$2,232,801 (2003 - \$1,521,245).

The most recent actuarial valuation of the Plan, as of December 31, 2002, indicates the Plan is fully funded.

### (b) Other employee future benefits:

Accrued obligations for all post employment benefits, other than pensions, based on amounts determined by independent actuaries are \$636,000 as at March 31, 2004 (2003, \$620,200). The discount rate used in determining the actuarial present value of these future benefits is 6.5% at March 31, 2004 (2003, \$6.5%).

Other post employment benefits other than pensions, expensed during the year were \$50,700 (2003, \$48,150). Benefits paid during the year were \$34,900 (2003, \$37,450).

## 8. Invested in capital assets:

### (a) Invested in capital assets is calculated as follows:

	2004	2003
Capital assets	\$ 38,247,573	\$ 37,934,931
Capital asset held for sale	261,984	261,984
Amounts financed by:		
Deferred contributions	9,702,531	9,466,027
Loans	5,647,602	1,956,430
Capital lease	108,700	-
	<u>\$ 23,050,724</u>	<u>\$ 26,774,458</u>

# ST. THOMAS-ELGIN GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2004

## 8. Invested in capital assets (continued):

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

	2004	2003
Excess (deficiency) of revenues over expenses:		
Amortization of deferred contributions	\$ 1,041,921	\$ 827,375
Depreciation of capital assets	(2,612,003)	(2,387,438)
Loss on disposal of capital assets	(99,440)	-
	<u>(1,669,522)</u>	<u>(1,560,063)</u>
Net change in investment in capital assets:		
Purchase of capital assets	3,024,085	4,334,007
Amounts funded by deferred contributions	(1,278,425)	(1,282,843)
Amounts funded by loans and capital lease	(4,108,700)	(1,972,255)
Repayment of loans	308,828	15,825
	<u>(2,054,212)</u>	<u>1,094,734</u>
	<u>\$ (3,723,734)</u>	<u>\$ (465,329)</u>

## 9. Restrictions on net assets:

The Board of Directors of the Hospital have placed certain restrictions on funds to reflect the wishes of donors or to meet future needs as identified by the Board.

## 10. Fair value of financial instruments:

The Company's financial instruments consist of accounts receivable, accounts payable, restricted investments, long-term debt and capital lease obligations. Management is of the opinion that the fair values of all financial assets and liabilities are not materially different from their carrying values due to the short maturity of the instruments. The carrying value of long-term debt approximates its fair value as debt bears interest at rates comparable to current market rates.

# ST. THOMAS-ELGIN GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2004

## 11. Changes in non-cash operating working capital:

	2004	2003
Accounts receivable	\$ 211,581	\$ (2,562,427)
Due from St. Thomas-Elgin General Hospital Foundation	3,808	2,274
Inventories	(38,363)	(12,138)
Prepaid expenses	(18,243)	(501,188)
Accounts payable and accrued liabilities	676,638	482,857
Due to St. Thomas-Elgin General Hospital Auxiliary	56,814	78,945
	<u>\$ 892,235</u>	<u>\$ (2,511,677)</u>

## 12. Related entities:

### (a) St. Thomas-Elgin General Hospital Foundation:

St. Thomas-Elgin General Hospital Foundation ("the Foundation") is a related entity incorporated without share capital under the laws of Ontario. The Foundation is independent, but exists to support designated programs and services within the Hospital. During the year ended March 31, 2004, the Foundation provided donations totalling \$837,565 (2003, \$703,974).

As the Hospital does not control the Foundation, their results are not included in these financial statements.

### (b) St. Thomas-Elgin General Hospital Auxiliary:

The St. Thomas-Elgin General Hospital Auxiliary ("the Auxiliary") operates a tuck and gift shop within the Hospital as well as undertaking other fundraising and volunteer activities for the benefit of the Hospital.

The Hospital provides the Auxiliary with payroll and investment services as well as rental space at no cost to the Auxiliary.

As the Hospital does not control the Auxiliary, their results are not included in these financial statements.

# ST. THOMAS-ELGIN GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2004

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## 13. Obligation under capital lease:

The Hospital has entered into the following capital lease obligation for equipment:

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Year ended March 31:		
2005	\$	50,079
2006		50,079
2007		16,692
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Total minimum lease payments		116,850
Less amounts representing interest at 7.18%		8,150
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Present value of net minimum capital lease payments		108,700
Current portion of obligation under capital lease		43,690
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	\$	65,010

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## 14. Contingencies:

St. Thomas-Elgin General Hospital is subject to certain actual and potential legal claims, which 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.

## 15. Obligations under leases:

The Hospital leases certain facilities and equipment and has several service contract agreements. These leases and contracts expire at various dates and require aggregate future minimum payments of \$5,363,000. Minimum payments required over the next five years are as follows:

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2005	\$	1,575,000
2006		1,489,000
2007		1,265,000
2008		976,000
2009		33,000
Thereafter		25,000

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# ST. THOMAS-ELGIN GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2004

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## **16. Comparative figures:**

The 2003 comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

# ST. THOMAS-ELGIN GENERAL HOSPITAL

## Schedule - Revenue

Year ended March 31, 2004, with comparative figures for 2003

	2004	2003
Provincial funding:		
Operations	\$ 47,479,696	\$ 44,140,382
Differential rate	1,783,062	1,573,882
Co-payment	420,116	363,225
Other sources	525,590	117,094
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	50,208,464	46,194,583
Other votes	1,751,432	1,882,094
Ambulatory program:		
Emergency	211,957	247,333
Cardio-respiratory services	1,422,587	1,306,943
Chemotherapy	107,064	129,287
Diabetes education	51,638	47,302
Ambulatory care	21,844	-
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	1,815,090	1,730,865
Medical program	3,490	10,185
Surgical program	62,602	78,082
Clinical support program:		
Pharmacy	23,099	14,935
Laboratory	12,657	13,128
Radiology	774,824	853,266
Nuclear medicine	333,640	345,943
Rehabilitation	11,477	260,865
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	1,155,697	1,488,137
Other revenue:		
Cafeteria	208,536	213,906
Parking	513,253	578,960
Interest	13,769	23,790
Rentals	65,903	58,402
Miscellaneous	379,251	265,700
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	1,180,712	1,140,758
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	\$ 56,177,487	\$ 52,524,704

# ST. THOMAS-ELGIN GENERAL HOSPITAL

## Schedule – Direct Operating

Year ended March 31, 2004, with comparative figures for 2003

	Salaries and benefits	All other expenses	Total 2004	Total 2003
Ambulatory program	\$ 4,919,267	\$ 1,431,256	\$ 6,350,523	\$ 5,697,134
Medical program	9,241,681	968,281	10,209,962	9,140,583
Surgical program	8,902,699	2,458,952	11,361,651	10,813,321
Clinical support program	5,462,490	4,486,979	9,949,469	9,649,573
Other votes	1,600,499	150,933	1,751,432	1,882,094
	\$ 30,126,636	\$ 9,496,401	\$ 39,623,037	\$ 37,182,705

# ST. THOMAS-ELGIN GENERAL HOSPITAL

## Schedule –Non-Clinical Support Program Expenditures

Year ended March 31, 2004, with comparative figures for 2003

	Salaries and benefits	All other expenses	Total 2004	Total 2003
Systems and decision support	\$ 1,929,749	\$ 881,941	\$ 2,811,690	\$ 2,500,933
Finance support	720,791	174,624	895,415	841,292
Environmental support	4,829,753	3,472,763	8,302,516	8,589,546
Human resources	454,930	278,048	732,978	519,362
Organizational learning and quality	672,746	622,812	1,295,558	836,934
Administration and general	1,370,309	1,817,354	3,187,663	2,933,757
	\$ 9,978,278	\$ 7,247,542	\$ 17,225,820	\$ 16,221,824

# ST. THOMAS-ELGIN GENERAL HOSPITAL

## Schedule – Restricted and Endowment Fund Balances

Year ended March 31, 2004, with comparative figures for 2003

	General Restricted Fund	Memorial Trust Fund	Dr. J.F. Curtis Fund	Nelson Chambers Estate	Spencer McConnell Fund	Dr. R.J. Bristow Fund	Faye Pritchard Fund	Total 2004	Total 2003
<b>Assets:</b>									
Cash	\$ 1,035,390	\$ 306,793	\$ 24,143	\$ 51,735	\$ 24,160	\$ 2,171	\$ 14,271	\$ 1,458,663	\$ 1,452,324
Due to operating fund									(7,430)
	\$ 1,035,390	\$ 306,793	\$ 24,143	\$ 51,735	\$ 24,160	\$ 2,171	\$ 14,271	\$ 1,458,663	\$ 1,444,894
<b>Fund balance:</b>									
Balance, beginning of year:									
Restricted	\$ -	\$ 2,000	\$ 23,582	\$ 5,000	\$ 5,000	\$ -	\$ 10,000	\$ 45,582	\$ 44,698
Unrestricted	1,031,462	297,660	-	45,532	18,598	2,121	3,939	1,399,312	1,376,406
	1,031,462	299,660	23,582	50,532	23,598	2,121	13,939	1,444,894	1,421,104
<b>Interest income:</b>									
Restricted	-	-	-	-	-	-	-	-	884
Unrestricted	24,619	7,133	561	1,203	562	50	332	34,460	30,336
Distribution	(20,691)	-	-	-	-	-	-	(20,691)	(7,430)
	3,928	7,133	561	1,203	562	50	332	13,769	23,790
<b>Balance, end of year:</b>									
Restricted	-	2,000	23,582	5,000	5,000	-	10,000	45,582	45,582
Unrestricted	1,035,390	304,793	561	46,735	19,160	2,171	4,271	1,413,081	1,399,312
	\$ 1,035,390	\$ 306,793	\$ 24,143	\$ 51,735	\$ 24,160	\$ 2,171	\$ 14,271	\$ 1,458,663	\$ 1,444,894