Financial Statements of

HALIBURTON HIGHLANDS HEALTH SERVICES CORPORATION

March 31, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of
Haliburton Highlands Health Services Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Haliburton Highlands Health Services Corporation, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April1, 2011, and the statements of changes in net assets, consolidated operations and cash flows for the years 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 public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board, 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 audits. We conducted our audits 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 auditor considers 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 in our audits 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 Haliburton Highlands Health Services Corporation as at March 31, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the years then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board.

Licensed Public Accountants

Peterborough, Ontario
June 27, 2013

HALIBURTON HIGHLANDS HEALTH SERVICES CORPORATION

STATEMENTS OF FINANCIAL POSITION

March 31, 2013 and 2012 and April 1, 2011

	March 31, 2013 $	March 31, 2012 $	April 1, 2011 $
ASSETS			
CURRENT ASSETS			
Cash and short term investments	3,269,096	2,926,840	4,735,181
Receivable from Ministry of Health and Long-Term Care	32,806	38,729	447,156
Ministry of Health and Long-Term Care special programs receivable (note 5)	16,200	51,817	9,831
HST receivable	309,913	341,756	432,392
Other receivables	49,311	104,329	78,358
Inventories	193,870	206,830	242,801
Prepaid expenses	118,417	147,817	147,550
	3,989,613	3,818,118	6,093,269
PROPERTY, BUILDINGS AND EQUIPMENT (note 6)	17,364,047	17,614,861	17,878,603
GROUP BENEFIT DEPOSIT (note 7)	285,862	186,321	77,348
	21,639,522	21,619,300	24,049,220
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities (note 8)	1,656,610	1,925,220	3,826,137
Due to Peterborough Regional Health Centre	28,219	17,953	13,005
Deferred revenue	911,827	111,603	86,911
	2,596,656	2,054,776	3,926,053
LONG TERM DEBT (note 9)	1,316,446	1,450,508	1,581,156
EMPLOYEE FUTURE BENEFITS (note 10)	895,100	854,300	748,800
DEFERRED CAPITAL GRANTS AND DONATIONS (note 11)	15,662,894	16,175,185	16,923,076
	20,471,096	20,534,769	23,179,085
NET ASSETS			
Invested in property, buildings and equipment	384,709	(10,831)	(625,628)
Externally restricted	57,946	58,970	64,410
Unrestricted	725,771	1,036,392	1,431,353
	1,168,426	1,084,531	870,135
	21,639,522	21,619,300	24,049,220

CONTINGENCIES (note 14)

The accompanying notes and schedules are an integral part of these financial statements

HALIBURTON HIGHLANDS HEALTH SERVICES CORPORATION

STATEMENTS OF CHANGES IN NET ASSETS

Years Ended March 31, 2013 and March 31, 2012

	2013 $				2012 $
	Invested in property, buildings and equipment	Externally restricted	Unrestricted	Total	Total
BALANCE - beginning of year	(10,831)	58,970	1,036,392	1,084,531	870,135
Excess of revenue over expenses (expenses over revenue)	(133,611)	(1,024)	218,530	83,895	214,396
Additions to property, buildings and equipment	744,748	-	(353,475)	391,273	247,235
Amounts financed by deferred contributions	(349,659)	-	(175,676)	(525,335)	(377,883)
Principal repayments on long term debt	134,062	-	-	134,062	130,648
BALANCE - end of year	384,709	57,946	725,771	1,168,426	1,084,531

The accompanying notes and schedules are an integral part of these financial statements

HALIBURTON HIGHLANDS HEALTH SERVICES CORPORATION

STATEMENTS OF CONSOLIDATED OPERATIONS

Years Ended March 31, 2013 and March 21, 2012

	2013 $	2012 $
REVENUES		
Ministry of Health and Long-Term Care	17,550,703	17,585,428
Patient services - other insurers and self pay	242,010	209,855
Long-term care - residents' fees and other	2,012,309	1,939,278
Other revenue	435,327	528,012
Amortization of capital grants and donations relating to property, buildings and equipment	849,960	825,839
	21,090,309	21,088,412
EXPENSES		
Salaries, wages and benefits	12,365,322	12,163,585
Medical compensation	3,407,147	3,348,169
Drugs and medical supplies	295,232	357,087
Supplies and other	3,880,073	3,915,848
Interest on long term debt	55,385	63,081
Amortization of property, buildings and equipment	995,563	997,857
	20,998,722	20,845,627
EXCESS OF REVENUE OVER EXPENSES BEFORE THE UNDERNOTED	91,587	242,785
Unexpended operating grants refundable to Ministry of Health and Long-Term Care for special programs	(7,692)	(28,389)
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	83,895	214,396

The accompanying notes and schedules are an integral part of these financial statements

HALIBURTON HIGHLANDS HEALTH SERVICES CORPORATION

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2013 and March 31, 2012

	2013 $	2012 $
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	83,895	214,396
Add (deduct) items not involving an outlay of cash:		
Amortization of property, buildings and equipment	995,563	997,857
Amortization of capital grants and donations relating to property, buildings and equipment	(849,960)	(825,839)
Gain on disposal of equipment	(11,991)	(1,050)
Employee future benefits	40,800	105,500
	258,307	490,864
Changes in non-cash working capital items	712,641	(1,404,467)
	970,948	(913,603)
FINANCING ACTIVITIES		
Net capital grants and donations received	349,659	77,948
Repayment of long term debt	(134,062)	(130,648)
Increase in group benefits deposit	(99,541)	(108,973)
	116,056	(161,673)
INVESTING ACTIVITIES		
Additions to property, buildings and equipment	(756,739)	(734,115)
Proceeds on sale of equipment	11,991	1,050
	(744,748)	(733,065)
INCREASE (DECREASE) IN CASH FOR THE YEAR	342,256	(1,808,341)
CASH POSITION - beginning of year	2,926,840	4,735,181
CASH POSITION - end of year	3,269,096	2,926,840

The accompanying notes and schedules are an integral part of these financial statements

1. PURPOSE OF THE ORGANIZATION

The Haliburton Highlands Health Services Corporation (the "Corporation") was incorporated without share capital on February 19, 1996 and is responsible for the development and operation of health services required by the people of the County of Haliburton and the surrounding area. The Corporation is a registered charity under the Income Tax Act and accordingly is exempt from income taxes provided certain requirements of the Income Tax Act are met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Corporation has followed Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs") in the preparation of these financial statements. A summary of significant policies is presented below:

(a) Fund accounting

Revenues and expenses related to program delivery and administrative activities are reported in the operating fund.

Invested in property, buildings and equipment reports the assets, liabilities, revenues and expenses related to the property, buildings and equipment.

Funds received and expended for the benefit and welfare of residents of Hyland Crest are reported as externally restricted.

(b) Revenue recognition

The Haliburton Highlands Health Services Corporation follows the deferral method of accounting for contributions, which include donations and government grants. Restricted contributions other than capital grants and donations are recognized as revenue in the year in which the related expenses are incurred. 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. Contributions designated for the welfare of residents at Hyland Crest are recognized as revenue when received.

Capital grants and donations are deferred and amortized on the same basis and rate as the amortization of the related capital assets.

Under the Health Insurance Act (Ontario) and the regulations thereunder, the Corporation is funded primarily by the Ministry of Health and Long-Term Care ("The Ministry") of the Province of Ontario in accordance with funding arrangements established by the Central East Local Health Integration Network (CE LHIN). The Board of Directors recognizes the Corporation's on-going dependency on The Ministry as the primary funding source for the Corporation's operating activities. Operating grants are recorded as revenue in the period to which they relate. These financial statements reflect agreed funding arrangements approved by the Ministry through the CE LHIN.

Patient billings are recognized as revenue when the service is provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) *Property, buildings and equipment*

Property, buildings and equipment are recorded at cost except for the original acquisitions from the Sisters of St. Joseph, which have been recorded at fair market value.

Amortization is provided on the basis and at the rates described below:

Asset	Basis	Rate
Land improvements	Straight-line on an individual basis	10%
Buildings	Straight-line	2-5%
Major equipment	Straight-line on an individual basis	various rates over the expected useful life of the asset ranging from 6.67% to 20%

(d) *Inventories*

Inventories are valued at the lower of cost and current replacement cost.

(e) *Compensated absences*

Compensation for vacation and sick leave is accrued for all employees as entitlement to these payments is earned, in accordance with the Corporation's benefit plans.

(f) *Employee future benefits*

The Corporation accrues its obligations and the related costs under employee benefit plans, during the periods in which employees earn the benefits.

The costs of certain retirement benefits earned by employees is actuarially determined, using the projected unit method pro-rated on service and management's best estimate of retirement ages and expected health care costs.

Past service costs arising from plan amendments are immediately recognized.

Actuarial gains or losses arising in the year are amortized into future years' expenses over the average remaining service period of active employees.

(g) *Contributed services*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Use of estimates

The preparation of financial statements in accordance with PSAB for Government NPOs requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingencies at the date of the financial statements and the reported amount of revenue and expenses during the period. Actual results could differ from those estimates.

In particular, the amount of revenue recognized from the Ministry requires a number of estimates. The Corporation has entered into the Hospital Accountability Agreement (the "HAA") with the Ministry that sets out the rights and obligations of the two parties in respect of funding provided to the Corporation by the Ministry for fiscal 2013. The HAA sets out certain performance standards and obligations that establish acceptable results for the Corporation's performance in a number of areas.

If the Corporation does not meet its performance standards or obligations, the Ministry has the right to adjust funding received by the Corporation. The Ministry is not required to communicate certain funding adjustments until after the submission of year end data. Since this data is not submitted until after the completion of the financial statements, the amount of Ministry funding received during the year may be increased or decreased subsequent to year end. The amount of revenue recognized in these financial statements represents management's best estimate of amounts that have been earned during the year.

3. FIRST TIME ADOPTION OF PUBLIC SECTOR ACCOUNTING STANDARDS

Effective April 1, 2012, the Corporation adopted the requirements of the new accounting framework, Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs"). These are the Corporation's first financial statements prepared in accordance with PSAB for Government NPOs and the transitional provisions of Section 2125, First-time Adoption by Government Organizations have been applied. Section 2125 requires retroactive application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in the Summary of Significant Accounting Policies have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and the opening PSAB for Government NPOs balance sheet at the date of transition of April 1, 2011.

The Corporation issued financial statements for the year ended March 31, 2012 using generally accepted accounting principles prescribed by CICA Handbook – Accounting. The adoption of PSAB for Government NPOs resulted in adjustments to the previously reported liabilities, net assets, excess revenue of expenses and cash flows.

Pre-changeover GAAP allowed the Corporation to only recognize actuarial gains and losses relative to employee future benefits that exceeded certain prescribed amounts ("the corridor approach"). PSAB for Government NPOs requires the amortization of actuarial gains and losses on post-employment benefit obligations to be amortized over the estimated average remaining service life of employees. Retroactive application of this approach would require the Corporation to split the cumulative actuarial gains and losses from the inception of the plan until the date of transition to PSAB for Government NPOs into a recognized portion and an unrecognized portion.

3. FIRST TIME ADOPTION OF PUBLIC SECTOR ACCOUNTING STANDARDS (continued)

The Corporation has elected to recognize all cumulative actuarial gains and losses at the date of transition to PSAB for Government NPOs directly in net assets. Actuarial gains and losses subsequent to the date of transition to PSAB for Government NPOs are accounted for in accordance with PS 3250 – Retirement Benefits.

Under PSAB 3250/3255, the discount rate used to determine the accrued benefit obligation is reflective of the Corporation's long-term cost of borrowing. Under CICA 3461, the discount rate used to determine the accrued benefit obligation was based on high-quality corporate bonds.

In addition, the accrued benefit obligation under PSAB 3250/3255 was updated to reflect the appropriate attribution period under these standards. Under PSAB 3250/3255 benefits are attributed from an employee's date of hire to the date of first payment (expected retirement date). Under CICA 3461, the attribution period is from the date of hire to the date of full eligibility.

The Corporation has also recognized the discretionary surplus that has arisen and is available to the Corporation in the Corporation's group benefits deposit.

The following indicates how the transition from pre-changeover Canadian GAAP to PSAB for Government NPOs has affected the Corporation's financial position, operations, changes in net assets and cash flows.

Statement of Financial Position as at April 1, 2011 – Transition Date

	Pre-changeover Canadian GAAP	Transitional Adjustment	PSAB for Government NPOs
Assets			
Group benefits deposit	-	77,348	77,348
Liabilities			
Employee future benefits	920,600	(171,800)	748,800
Net assets			
Unrestricted	1,182,205	249,148	1,431,353

Statement of Financial Position for the year ended March 31, 2012

	Pre-changeover Canadian GAAP	Transitional Adjustment	PSAB for Government NPOs
Assets			
Group benefits deposit	-	186,321	186,321
Liabilities			
Employee future benefits	949,900	76,200	854,300
Net assets			
Unrestricted	754,471	281,921	1,036,392

3. FIRST TIME ADOPTION OF PUBLIC SECTOR ACCOUNTING STANDARDS (continued)

Statement of Operations for the year ended March 31, 2012

	Pre-changeover Canadian GAAP	Transitional Adjustment	PSAB for Government NPOs
Expenses			
Salaries, wages and benefits	12,196,358	(32,773)	12,163,585
Excess of revenue over expenses	181,623	32,773	214,396

Statement of Cash Flows for the year ended March 31, 2012

	Pre-changeover Canadian GAAP	Transitional Adjustment	PSAB for Government NPOs
Operating Activities			
Excess of revenue over expenses	181,623	32,773	214,396
Employee future benefits	29,300	76,200	105,500
Financing Activities			
Increase in group benefits deposit	-	(108,973)	(108,973)

4. FINANCIAL ASSETS AND LIABILITIES

(a) Measurement of financial instruments

The Corporation's financial instruments consist of cash and short term investments, receivable from the Ministry of Health and Long-Term Care, HST receivable and other receivables, accounts payable and accrued liabilities, due to Peterborough Regional Health Centre and long term debt. Cash and short term investments, receivable from the Ministry of Health and Long-Term Care, HST receivable and other receivables are stated at cost, which approximates fair value due to their short term maturities. Management has classified the various payables as other liabilities, the fair value of which approximates cost due to their short term maturities. Long term debt has been classified as other liabilities, the fair value of which approximates cost as the future cash flows associated with the mortgage approximate the cash flows for similar instruments that would be available to the Corporation.

(b) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations associated with financial liabilities. Cash flow from operations and government funding provide a substantial portion of the Corporation's cash requirements. The Corporation has an available line of credit of $800,000 to provide flexibility to meet operational needs and bridge long-term financing, if required. The Corporation's borrowing arrangements are concentrated with a single Canadian financial institution.

4. FINANCIAL ASSETS AND LIABILITIES (continued)

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge the obligation. The Corporation is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable. The maximum exposure to credit risk is the carrying value of accounts receivable. Accounts receivable are non-interest bearing and generally due within 30 days. The Corporation measures its exposure to credit risk based on how long amounts have been outstanding. An impairment allowance is recorded based on a sliding scale percentage applied to the aged balances. At year end, there was a provision for doubtful accounts in the amount of $17,719 (2012 - $70,626).

(d) Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is not exposed to significant interest rate risk.

Short-term deposits consist of Guaranteed Investment Certificates maturing between August 2013 and January 2014 with effective yields at 0.8% per annum.

The long-term debt is at a fixed rate of interest and payments are based on the contractual requirements of the debt instruments. A change in market interest rates has no impact on cash flows required to service this debt.

5. DUE TO (FROM) MINISTRY OF HEALTH AND LONG-TERM CARE

The Corporation is required to submit reports to the Ministry of Health and Long-Term Care for their review on an annual basis. Pending reconciliation by the Ministry, the Corporation has estimated that the operating grants refundable (recoverable) at year end are as follows:

	2013 $	2012 $
Long-term care program	(24,592)	(100,922)
Supportive housing program	-	7,660
Mental health program	8,392	39,878
Diabetes education network	-	1,567
	(16,200)	(51,817)

6. PROPERTY, BUILDINGS AND EQUIPMENT

The cost, accumulated amortization and net book value of the Corporation's property, buildings and equipment are as follows:

As at March 31, 2013	Cost	Accumulated amortization	Net book value
Land	171,888	-	171,888
Land improvements	340,010	340,010	-
Buildings	22,451,620	6,900,755	15,640,865
Major equipment	4,928,449	3,377,155	1,551,294
	27,981,967	10,617,920	17,364,047

As at March 31, 2012	Cost	Accumulated amortization	Net book value
Land	132,611	-	132,611
Land improvements	340,010	337,103	2,907
Buildings	22,119,403	6,229,701	15,889,702
Major equipment	4,784,842	3,195,201	1,589,641
	27,376,866	9,762,005	17,614,861

7. GROUP BENEFITS DEPOSIT

The Corporation provides its employees with extended health, dental and semi-private benefits through a benefit carrier. The Corporation's contributions are expensed to the extent that they do not relate to discretionary reserves. A summary of the transactions in the plan and the resulting deposit is as follows:

	2013 $	2012 $
Balance – beginning of year	186,321	77,348
Contributions from employees and employer	403,709	414,189
Expenses paid by the plan	(306,426)	(306,149)
Interest	2,258	933
Balance – end of year	285,862	186,321

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances of $194,988 (2012 - $142,149).

9. LONG TERM DEBT

Long term debt consists of the following:

	2013 $	2012 $
Fixed rate first mortgage loan bearing interest at 3.80% per annum, repayable in monthly principal and interest payments of $768, due December 1, 2014	93,837	98,090
Fixed rate non-revolving unsecured demand instalment loan bearing interest at 4.16% per annum, repayable in monthly principal and interest payments of $15,301, due January 15, 2021	1,222,609	1,352,418
	1,316,446	1,450,508

Based upon the present arrangements with lenders, aggregate principal repayments required in each of the next five years are as follows:

	$
2014	141,067
2015	229,134
2016	147,032
2017	153,266
2018	159,765

10. EMPLOYEE FUTURE BENEFITS

The Corporation sponsors both defined benefit and defined contribution employee future benefit plans covering substantially all employees. Costs for employee future benefits are accrued over the periods in which employees earn the benefits.

The post retirement benefit costs have been actuarially determined using the projected benefit method prorated on service and managements' best estimates of salary increases and ages of employees upon retirement. The most recent actuarial valuation for the plan was performed as at March 31, 2012.

10. EMPLOYEE FUTURE BENEFITS (continued)

The following actuarial assumptions were used to determine the other retirement plans expense and the accrued benefit obligations:

Discount rate – accrued benefit obligation	5.00% per annum
Discount rate – benefit cost	4.25% per annum
Dental cost trend rates	4.0% per annum
Extended health care trend rates	7.5% in 2013, decreasing by 0.25% per annum to an ultimate rate of 5.0% in 2023 and thereafter

The employee future benefits expense for fiscal 2013 and the accrued employee future benefit liability as at March 31, 2013 are as follows:

	2013 $	2012 $
Expenses		
Current service cost	58,000	49,700
Interest	47,000	42,100
Past service costs arising from plan amendments	18,100	74,600
Total employee future benefits expense	123,100	166,400
Accrued Benefit Liability		
Balance - beginning of year	854,300	748,800
Benefits expense for the year	123,100	166,400
Contributions/payments made during the year	(82,300)	(60,900)
Balance - end of year	895,100	854,300

10. EMPLOYEE FUTURE BENEFITS (continued)

	2013 $	2012 $
Accrued Benefit Obligation		
Balance - beginning of year	1,089,500	748,800
Past service costs arising from plan amendments	-	74,600
Current service cost	58,000	49,700
Interest on accrued benefit obligation	47,000	42,100
Contributions/payments made during the year	(82,300)	(60,900)
Balance - end of year	1,112,200	1,089,500
Reconciliation of Accrued Benefit Obligation to Accrued Benefit Liability		
Accrued benefit obligation, end of year	1,112,200	1,089,500
Deduct unamortized actuarial loss	(217,100)	(235,200)
Accrued benefit liability - end of year	895,100	854,300

Substantially all of the employees of the Corporation are members of the Hospitals of Ontario Pension Plan, which is a multi-employer final average pay contributory pension plan. Employer contributions made to the plan by the Corporation during the year amounted to $684,254 (2012 - $689,377). These amounts are included in salaries, wages and benefits expense in the statement of operations. The most recent valuation for financial reporting purposes completed by HOOPP as of December 31, 2012 disclosed net assets available for benefits of $47,414 million with pension obligations of $39,919 million, resulting in a surplus of $7,495 million.

11. DEFERRED CAPITAL GRANTS AND DONATIONS

Deferred contributions related to property, buildings and equipment represent the unamortized and the unspent amount of grants and donations received for the purchase of property, buildings and equipment. The amortization of capital contributions is recorded as revenue in the statement of operations.

11. DEFERRED CAPITAL GRANTS AND DONATIONS (continued)

The change in deferred capital grants and donations during the year is as follows:

	2013 $	2012 $
Balance - beginning of year	16,175,185	16,923,076
Net capital grants and donations received and receivable during the year	337,668	77,948
Amortization of capital grants and donations	(849,960)	(825,839)
Balance - end of year	15,662,893	16,175,185

12. RESIDENTS' TRUST FUNDS

Residents' trust funds represent funds held on deposit as a convenience to the residents. These funds are not co-mingled with the Corporation's assets and, consequently are not included in the statement of financial position. Changes during the year in residents' trust funds are summarized as follows:

	2013 $	2012 $
Balance - beginning of year	36,336	49,984
Add (deduct):		
Interest earned	263	450
Net deposits (withdrawals)	(16,917)	(14,098)
Balance - end of year	19,682	36,336

13. ELIZABETH HARRISON TRUST

In connection with the ownership and responsibility of Hyland Crest, the Corporation has been delegated responsibility for the Elizabeth Harrison Trust fund. This endowment fund has been separately invested with the interest income available for the benefit of Hyland Crest residents at the discretion of the Residents' Council. These funds have been included in externally restricted funds on the statement of financial position.

The change in the fund balance for the year is as follows:

	2013 $	2012 $
Balance – beginning of year	52,936	56,838
Add (deduct):		
Add interest earned	531	571
Net deposits (withdrawals)	-	(4,473)
Balance – end of year	53,467	52,936

14. COMMITMENTS AND CONTINGENCIES

(a) The Corporation and Peterborough Regional Health Centre, which previously operated the Hospitals, have negotiated whereby Peterborough Regional Health Centre will provide the Corporation with support services in the functions of diagnostic imaging and pharmacy services for an annual fee of approximately $25,000.

(b) The Corporation has signed a Memorandum of Understanding with Ross Memorial Hospital in Lindsay (“Ross”). The long-term intention is for Ross and the Corporation to share all appropriate aspects of information and communications technology, and for Ross to provide general information technology management services for the Corporation. The annual fee for general information technology management services is approximately $73,000.

(c) The Corporation has an arrangement with Ross for the provision of radiology dictation services. The fee is based on the volume of radiology reports. The annual fee for dictation services is approximately $22,000.

(d) The Corporation has an arrangement with Ross for the provision of sterile processing services. There is a flat monthly fee plus delivery charges. The annual fee for sterile processing services is approximately $26,000.

(e) The Corporation has a consulting arrangement with Toronto Medical Laboratories (“TML”), part of the University Health Network, to manage the quality of the point-of-care laboratory service and to ensure compliance with Ontario Laboratory Association standards. The annual fee for this arrangement is $30,000 annually.

(f) The Corporation has allied with a consortium of hospitals in a project to upgrade radiology images to digital technology and centralize the storage and retrieval of digital radiology images. The project includes the ten hospitals in the Toronto East Network, the five hospitals in the Haliburton Kawartha Pine Ridge region, and hospitals in the Quinte region.

(g) The Corporation has joined a group purchasing arrangement with the Central Ontario Hospital Purchasing Alliance (COHPA) to obtain medical and surgical supplies and certain contract services. This service will replace the previous purchasing arrangement with Peterborough Regional Health Centre. As part of this group purchasing model, the Corporation also has become a member of Healthpro, the main contract vendor for COHPA.

(h) As part of its mandate to provide integrated health care services to the County, the Corporation operates long-term care programs at both the Haliburton (Highland Wood) and Minden (Hyland Crest) sites. The Corporation assumed sole responsibility for governance of Hyland Crest through the passage of a private members bill, which exempts the County of Haliburton from responsibility for governance as long as the Corporation maintains and operates the home.

(i) A group of hospitals, including the Corporation, have formed the Healthcare Insurance Reciprocal of Canada (“HIROC”). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums, which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members, and these losses could be material. No reassessments have been made to March 31, 2013.

14. COMMITMENTS AND CONTINGENCIES (continued)

(j) As at March 31, 2013, the Board of Directors had entered into contracts for equipment upgrades of $80,400 and installation of new diagnostic imaging equipment amounting to $404,500.

(k) Due to the nature of its operations, the Corporation is periodically subject to lawsuits in which the Corporation is a defendant, as well as grievances filed by its various unions. In the opinion of management, the resolution of any current lawsuits and/or grievances would not have a material effect on the financial position or results of operations.

15. RELATED PARTY TRANSACTIONS

(a) Haliburton Highlands Health Services Foundation

The Corporation has an economic interest in Haliburton Highlands Health Services Foundation (the “Foundation”). The Foundation was established to raise funds for charities and, in particular, the Corporation. The Foundation is incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act. Net resources of the Foundation at March 31, 2013 are $991,336. At year end, the Corporation had recorded receivables from the Foundation amounting to $8,837 (2012 - $9,891).

(b) Hospital Auxiliaries

The Corporation is related to the Haliburton Hospital Auxiliary and the Minden Health Care Auxiliary, which were established to raise funds for the hospitals. The Auxiliaries are incorporated and are registered charities under the Income Tax Act.

The net assets and results from operations of the related parties are not included in the statements of the Corporation.

Related party transactions during the year not separately disclosed in the financial statements include an amount of $211,331 from the Foundation and $73,012 from the Haliburton and Minden Auxiliaries, the majority of which have been recorded as deferred capital contributions. The Foundation occupies an office in each of the Haliburton and Minden facilities. This space, together with the use of office furniture, computer equipment, and various office and payroll services, is provided to the Foundation at no charge by the Corporation.

During the year the Corporation purchased land and building adjacent to the Haliburton site. The property is being held for future purposes to be defined by the Corporation’s long-term planning process. While the property is reported in the records of the Corporation, title to the property is held by the Foundation pursuant to the terms of a trust agreement between the two parties.

16. COMPARATIVE FIGURES

Certain 2012 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2013.

HALIBURTON HIGHLANDS HEALTH SERVICES CORPORATION

MINDEN AND HALIBURTON HOSPITALS
SCHEDULES OF OPERATIONS
Years Ended March 31, 2013 and March 31, 2012

	2013 $	2012 $
REVENUE		
Patient services		
Ministry of Health and Long-Term Care	8,813,188	8,848,444
Other insurers and self-pay	242,010	209,855
Other revenue	298,525	426,433
Amortization of capital grants and donations relating to property, buildings and equipment	849,960	825,839
	10,203,683	10,310,571
EXPENSES		
Salaries, wages and benefits	6,246,473	6,209,208
Medical compensation	340,884	344,114
Drugs and medical supplies	295,232	357,087
Supplies	701,048	634,254
Equipment maintenance	525,208	609,590
Laboratory	248,251	258,190
Building and grounds	425,332	490,629
Professional fees	307,805	206,080
Interest on long term debt	55,385	63,081
Other	(24,632)	62,530
Amortization of property, buildings and equipment	995,563	997,857
	10,116,549	10,232,620
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	87,134	77,951

The accompanying notes are an integral part of the financial statements

HALIBURTON HIGHLANDS HEALTH SERVICES CORPORATION

MENTAL HEALTH PROGRAM/HOMELESSNESS PROGRAM
SCHEDULES OF OPERATIONS
Years Ended March 31, 2013 and March 31, 2012

	2013 $	2012 $
REVENUE		
Ministry of Health and Long-Term Care grant		
Operating	846,481	871,396
Homelessness	74,956	68,082
Tenants' fees	126,662	92,979
Interest and other income	10,140	8,600
	1,058,239	1,041,057
EXPENSES		
Salaries, wages and benefits	688,938	650,126
Staff travel	12,346	15,567
Sessional fees	23,080	10,173
Rent	47,620	45,384
Administration fee	19,980	20,000
Equipment	25,041	21,588
Other	32,327	114,325
Homelessness		
Rent	165,807	129,000
Hydro	35,811	24,979
	1,050,950	1,031,142
EXCESS OF REVENUE OVER EXPENSES BEFORE THE UNDERNOTED	7,289	9,915
Amount refundable to Ministry of Health and Long-Term Care	(7,692)	(26,822)
EXCESS OF EXPENSES OVER REVENUE FOR THE YEAR	(403)	(16,907)

The accompanying notes are an integral part of the financial statements

HALIBURTON HIGHLANDS HEALTH SERVICES CORPORATION

SUPPORTIVE HOUSING PROGRAM
SCHEDULE OF OPERATIONS
Years Ended March 31, 2013 and March 31, 2012

	2013 $	2012 $
REVENUE		
Ministry of Health and Long-Term Care grant	689,695	667,595
EXPENSES		
Salaries, wages and benefits	615,159	599,368
Office expenses	10,574	9,593
Staff travel	7,548	10,552
Resources	22,055	13,746
Administration fee	21,500	21,500
Other	12,900	12,900
	689,736	667,659
EXCESS OF EXPENSES OVER REVENUE FOR THE YEAR	(41)	(64)
Amount refundable to Ministry of Health and Long-Term Care	-	-
EXCESS OF EXPENSES OVER REVENUE FOR THE YEAR	(41)	(64)

The accompanying notes are an integral part of the financial statements

HALIBURTON HIGHLANDS HEALTH SERVICES CORPORATION
DIABETES EDUCATION NETWORK
SCHEDULE OF OPERATIONS
Years Ended March 31, 2013 and March 31, 2012

	2013 $	2012 $
REVENUE		
Ministry of Health and Long-Term Care grant	250,155	250,155
EXPENSES		
Salaries, wages and benefits	228,346	229,159
Resources and supplies	10,428	6,875
Travel	4,248	2,754
Administration fee	846	846
Office	4,346	7,779
Other	2,000	2,000
	250,214	249,413
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE) BEFORE THE UNDERNOTED	(59)	742
Amount refundable to Ministry of Health and Long-Term Care	-	(1,567)
EXCESS OF EXPENSES OVER REVENUE FOR THE YEAR	(59)	(825)

The accompanying notes are an integral part of the financial statements

HALIBURTON HIGHLANDS HEALTH SERVICES CORPORATION

ALTERNATIVE FUNDING FOR EMERGENCY SERVICES
SCHEDULE OF OPERATIONS
Years Ended March 31, 2013 and March 31, 2012

	Haliburton $	Minden $	2013 $	2012 $
REVENUE				
Ministry of Health and Long-Term Care grant	1,517,790	1,535,475	3,053,265	3,013,896
EXPENSES				
Participating physicians	1,492,790	1,510,475	3,003,265	2,963,896
Shadow billing	24,000	24,000	48,000	48,000
Administration	1,000	1,000	2,000	2,000
	1,517,790	1,535,475	3,053,265	3,013,896
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	-	-	-	-

The accompanying notes are an integral part of the financial statements

HALIBURTON HIGHLANDS HEALTH SERVICES CORPORATION
LONG-TERM CARE
SCHEDULE OF OPERATIONS
Years Ended March 31, 2013 and March 31, 2012

	Highland Wood $	Hyland Crest $	2013 $	2012 $
REVENUE				
Ministry of Health and Long-Term Care	1,203,335	2,619,627	3,822,962	3,865,859
Residents' fees and other	672,501	1,339,808	2,012,309	1,939,278
	1,875,836	3,959,435	5,835,271	5,805,137
EXPENSES				
Nursing services	1,164,820	2,157,718	3,322,538	3,140,275
Dietary services	262,620	599,566	862,186	832,446
Housekeeping services	135,196	242,992	378,188	358,181
Building and property	162,503	500,414	662,917	732,692
General administration	41,183	128,963	170,146	160,317
Laundry and linen services	45,817	103,216	149,033	146,667
Activities	103,303	189,696	292,999	280,318
	1,915,442	3,922,565	5,838,007	5,650,896
EXCESS OF EXPENSES OVER REVENUE (EXPENSES OVER REVENUE) FOR THE YEAR	(39,606)	36,870	(2,736)	154,241

The accompanying notes are an integral part of the financial statements