Stevenson Memorial Hospital
Financial Statements
For the year ended March 31, 2012

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Contents

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Corporation,
Stevenson Memorial Hospital

We have audited the accompanying financial statements of Stevenson Memorial Hospital, which comprise the statement of financial position as at March 31, 2012, and the statements of operations and net assets (deficiency) and cash flows for the year then ended, and a summary of significant accounting policies and notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 controls 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 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 Stevenson Memorial Hospital as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants
Alliston, Ontario
June 12, 2012

Stevenson Memorial Hospital
Statement of Financial Position

March 31	2012	2011
Assets		
Current		
Cash and cash equivalents	$ 736,941	$ 1,595,557
Accounts receivable - Ministry of Health and Long Term Care/Central Local Health Integration Network	154,358	462,983
Accounts receivable - other	1,238,873	1,013,861
Due from Stevenson Memorial Hospital Foundation (Note 11)	7,445	99,218
Due from County of Simcoe (Note 1)	257,728	138,808
Inventory of supplies	221,274	310,482
Prepaid expenses	255,587	199,541
	2,872,206	3,820,450
Due from County of Simcoe (Note 1)	530,764	669,572
Equipment under capital lease (Note 2)	164,826	206,032
Property, plant and equipment (Note 3)	7,536,329	6,107,927
	$ 11,104,125	$ 10,803,981
Liabilities and Net Assets (Deficiency)		
Current		
Bank loan (Note 4)	$ 129,390	$ 258,780
Accounts payable and accrued liabilities	3,354,896	2,954,719
Current portion of obligation under capital lease (Note 10)	40,710	39,437
Deferred revenue	205,424	153,567
Deferred contributions related to property, plant and equipment (Note 5)	-	1,276,800
	3,730,420	4,683,303
Accrued post-employment benefits (Note 6)	105,300	98,800
Obligation under capital lease (Note 10)	144,483	185,279
Deferred contributions related to property, plant and equipment (Note 5)	7,181,795	5,827,890
	7,431,578	6,111,969
	11,161,998	10,795,272
Contingencies and commitments (Note 7)		
Net assets (deficiency)		
Unrestricted	(57,873)	8,709
	$ 11,104,125	$ 10,803,981

On behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Stevenson Memorial Hospital
Statement of Operations and Net Assets (Deficiency)

For the year ended March 31	2012	2011
Revenues		
Ministry of Health and Long Term Care/Central Local Health Integration Network	$ 20,951,645	$ 20,832,586
Other Provincial programs	715,430	639,439
Other agencies and self-pay	4,808,559	4,416,987
Differential charges	280,118	315,354
Recoveries and sales	1,178,966	1,084,679
Amortization of deferred contributions for equipment	631,975	709,903
Amortization of contributions for acquisition of land improvements, building and building service equipment	315,069	282,336
	28,881,762	28,281,284
Expenses		
Salaries and wages	12,227,719	12,379,037
Medical staff remuneration	5,372,640	4,829,763
Employee benefits	2,826,970	2,818,654
Drugs	704,795	629,424
Medical and surgical supplies	1,359,859	1,310,369
Other supplies and expenses (Note 8)	4,501,894	4,701,857
Other Provincial programs	715,430	639,439
Amortization of equipment	815,411	769,299
Amortization on land improvements, building and building service equipment	376,254	358,980
Amortization of equipment under capital lease	41,206	41,206
Interest on demand loan (Note 4)	6,166	13,136
	28,948,344	28,491,164
Excess of expenses over revenue for the year	(66,582)	(209,880)
Net assets, beginning of year	8,709	218,589
Net (deficiency) assets, end of year	$ (57,873)	$ 8,709

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Stevenson Memorial Hospital
Statement of Cash Flows

For the year ended March 31	2012	2011
Cash flows from operating activities		
Excess of expenses over revenue for the year	$ (66,582)	$ (209,880)
Adjustments for		
Amortization of property, plant and equipment	1,232,871	1,169,485
Amortization of deferred contributions	(947,044)	(992,239)
Employee post retirement benefits	13,000	6,500
Cash flows from operations before non-cash working capital balances	232,245	(26,134)
Changes in non-cash working capital balances		
Accounts receivable - Ministry of Health and Long Term Care/Central Local Health Integration Network	308,625	(358,442)
Accounts receivable - other	(225,012)	207,309
Due from Stevenson Memorial Hospital Foundation	91,773	(25,660)
Due from County of Simcoe	19,888	341,220
Inventory of supplies	89,208	40,659
Prepaid expenses	(56,046)	(47,767)
Accounts payable and accrued liabilities	393,677	384,087
Deferred revenue	51,857	(33,156)
Cash flows from operating activities	673,970	482,116
Cash flows from financing and investing activities		
Increase in deferred capital grant from:		
Stevenson Memorial Hospital Foundation	858,422	718,242
Ministry of Health and Long Term Care/Central Local Health Integration Network	165,727	271,470
Repayment of demand loan	(129,390)	(341,220)
Increase in capital lease obligation	-	247,228
Repayment of capital lease obligation	(39,523)	(22,522)
Acquisition of property, plant and equipment	(2,620,067)	(1,159,942)
Cash flows from financing and investing activities	(1,764,831)	(286,744)
Net (reduction) increase in cash and cash equivalents	(858,616)	195,372
Cash and cash equivalents, beginning of year	1,595,557	1,400,185
Cash and cash equivalents, end of year	$ 736,941	$ 1,595,557

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Nature and Purpose of Organization

Stevenson Memorial Hospital is a non-profit organization incorporated without share capital under the laws of Ontario. The hospital provides health care services to the Town of New Tecumseth and other Municipalities in the surrounding catchment area.

The hospital is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

Basis of Presentation

The financial statements of the hospital are prepared in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

Inventories

Inventories of supplies are stated at the lower of cost and net realizable value. Inventory costs for housekeeping, maintenance, pharmacy, laboratory and radiology materials and supplies are generally determined on a first-in, first-out basis. All other inventories are valued using a weighted average basis.

Property, Plant and Equipment

Purchased property, plant and equipment are recorded at cost. Contributed property, plant and equipment are recorded at fair value at the date of contribution. Where fair value cannot be reasonably determined, contributed assets are recorded at a nominal amount. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When an asset no longer contributes to the hospital's ability to provide services, its carrying amount is written down to its residual value. Amortization based on the estimated useful life of the asset is calculated as follows:

Land improvements	- 5% straight-line basis
Buildings	- 2.5% to 10% straight-line basis
Building service equipment	- 5% to 20% straight-line basis
Major equipment	- 5% to 33% straight-line basis
Computer hardware and software	- 20% to 55% straight-line basis

Costs directly involved in new hospital planning are capitalized. Construction in progress and new hospital planning costs are not amortized.

Assets Under Capital Lease

Assets under capital lease are recorded at cost. Amortization is provided on a straight-line basis over the assets' estimated useful lives of 6 years.

Accrued Post-Employment Benefits

Accrued post-employment benefits are actuarially determined using the projected unit method pro-rated on service and management's best estimate of future cost trends associated with such benefits, including salary escalation (where applicable), retirement ages of employees and expected health care costs and interest rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to the statement of operations over the estimated average remaining service life of the employee groups on a straight-line basis.

Revenue Recognition

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

Under the Health Insurance Act and Regulations thereto, the hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long Term Care (MOHLTC). 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 is related to a future period, it is deferred and recognized in that subsequent period. Effective April 1, 2007, the Central Local Health Integration Network (CLHIN) was assigned the responsibility for overseeing the provision of the health care services and flowing funding from the MOHLTC to hospitals in the region.

Revenue from the MOHLTC and CLHIN, preferred accommodation and marketed services is recognized when the goods are sold or the service provided.

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.

Unrestricted investment income is recognized as revenue when earned.

Contributed Services

The hospital is dependent on the voluntary services of many individuals. Since these services are not normally purchased by the hospital and because of the difficulty in estimating their fair market value, the value of these services is not recorded in these financial statements.

Compensated Absences

Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the hospital's benefit plans for vacation, statutory holidays, sick leave, and retirement allowances.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates in the preparation of the financial statements are the allowance for doubtful accounts, the useful life of property, plant and equipment, the reimbursement of new hospital planning costs from the MOHLTC and CLHIN, payroll related accruals, the amount of accrued post-employment benefits, contingencies and the fair values of financial instruments. Actual results could differ from management's best estimates as additional information becomes available in the future.

Financial Instruments

The hospital classifies its financial instruments into one of the following categories:

Held-for-Trading
Held-for-trading is comprised of cash and cash equivalents. This instrument is carried in the balance sheet at fair value with changes in fair value recognized in the income statement. Transaction costs are expensed as incurred.

Loans and Receivables
Loans and receivables are comprised of accounts receivable and receivable from the MOHLTC and CLHIN, Stevenson Memorial Hospital Foundation and the County of Simcoe. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs are expensed as incurred.

Other Financial Liabilities
Other financial liabilities are comprised of accounts payable and accrued liabilities and employee post-retirement benefits. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are netted against the amount initially recognized.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the hospital, are as follows:

Future for Not-For-Profit Organizations (NPO)
In December 2010, the Accounting Standards Board (AcSB) and the Public Sector Accounting Board (PSAB) each issued the accounting and financial reporting requirements for Not-for-Profit Organizations (NPOs).

As the Government Not-for-Profit Organization (GNPO), the Hospital will be required to transition to the Public Sector Accounting Handbook for year ends beginning on or after January 1, 2012. This change is not expected to have any material effect on the financial statements for the year ended March 31, 2013.

1. Due from the County of Simcoe

As part of the financing of a building addition for the CT scanner, the County of Simcoe is providing funding to the hospital. It is expected $257,728 will be paid in late 2012 with the remaining balance paid annually in approximately equal amounts over the next five years. The amounts due are non-interest bearing, unsecured, and subject to annual confirmation by the County.

2. Equipment Under Capital Lease

	2012	2011
Equipment under capital lease, at cost	$ 247,238	$ 247,238
Less: accumulated amortization	(82,412)	(41,206)
	$ 164,826	$ 206,032

Stevenson Memorial Hospital has entered into an agreement for the lease of endoscopy equipment. The agreement expires August 15, 2016 and provides for the transfer of the equipment to the Hospital at that time for a payment of $1.

3. Property, Plant and Equipment

	2012		2011	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 25,809	$ -	$ 25,809	$ -
Land improvements	518,782	253,766	518,782	240,577
Buildings	3,615,165	1,832,105	3,615,165	1,760,141
Building service equipment	4,727,641	3,152,155	4,344,011	2,861,054
Major equipment	15,182,875	13,371,992	14,630,157	12,873,114
Computer hardware and software	1,172,365	1,039,644	1,004,403	963,974
Construction in progress	1,413,638	-	188,380	-
New hospital planning costs	529,716	-	480,080	-
	$ 27,185,991	$ 19,649,662	$ 24,806,787	$ 18,698,860
Net book value		$ 7,536,329		$ 6,107,927

3. Property, Plant and Equipment (continued)

In accordance with hospital practices in Ontario associated with planning for new hospitals, the MOHLTC/CLHIN requires hospitals to incur planning costs prior to approval being granted. In due course the hospital will make application to the MOHLTC/CLHIN to either recover these costs or to have the approval of these costs considered to be part of the new hospital construction. It is at the discretion of the MOHLTC/CLHIN to decide whether or not to reimburse these costs. Direct costs of hospital personnel dedicated to this planning process are included in new hospital planning costs.

4. Banking Facilities

The hospital has an available line of credit facility up to $1,250,000 with interest at bank prime rate payable monthly, interest only and repayable on demand. The credit facility is with one Schedule I bank. The line of credit facility is unsecured.

The hospital has a loan agreement with the bank for a demand loan in the amount of $1,200,000 to pay for the computed tomography (CT scanner) building with interest at bank prime rate payable monthly. $1,070,610 of the demand loan was subsequently repaid. The loan is unsecured and the interest paid during the year on this loan was $6,166 (2011 - $13,136). The balance of $1,070,610 unused facility is available to the hospital.

The hospital has an available line of credit facility up to $600,000 with interest at bank prime rate payable monthly, interest only and repayable on demand. The credit facility is with a Canadian Schedule I bank and the purpose of the credit facility is to assist in financing the energy retrofit program. The line of credit facility is unsecured.

5. Deferred Contributions Related to Property, Plant and Equipment

Deferred contributions related to property, plant and equipment represent the unamortized amount of donations and grants received for the purchase of property, plant and equipment. These contributions are amortized and recorded as revenue in the statement of revenues and expenses, on the same basis as the amortization of the related asset.

	2012	2011
Balance, beginning of year	**$ 7,104,690**	$ 7,098,300
Additional contributions received	**1,024,149**	996,844
Less amounts amortized to revenue	**(947,044)**	(990,454)
	7,181,795	7,104,690
Less current portion of deferred contributions	**-**	(1,276,800)
Balance, end of year	**$ 7,181,795**	$ 5,827,890

6. Accrued Post-Employment Benefits

The hospital provides post-employment extended healthcare and dental benefits to a number of retired employees until the age of 65. The hospital also provides post-employment life insurance coverage to a number of employees that ceases upon the member's death. From January 1, 2002, Ontario Nursing Association (ONA) members are eligible for post-employment benefits, the cost of which is borne entirely by retiring ONA members; that is ONA members electing coverage will pay 100% of the associated premium. In many cases, the premium charged to retirees is the same as that charged to active members. This premium is typically lower than the actual cost of retiree benefits due to their higher rates of utilization. The premiums paid by retiring ONA members, therefore may not be sufficient to cover the actual costs of the benefits. This may result in an increased obligation, which generates a past service cost. From April 1, 2011 full-time Ontario Nursing Association (ONA) members who reach age 57 and retire on or after April 1, 2011 are eligible for post-employment benefits, the hospital will contribute 50% of the billed premiums of these benefit plans. The hospital provides Ontario Service Employees Union (OPSEU) members who retire after age 60 semi-private, extended health and dental benefits. OPSEU members electing coverage will pay 100% of the associated premium. The last actuarial report was conducted March 31, 2008. At March 31, 2012, the hospital's accrued benefit obligation relating to post-retirement benefit plans is $105,300 (2011 - $98,800).

The significant actuarial assumptions adopted in estimating the hospital's accrued benefit obligation are as follows:

Discount rate	7.50%	per annum (2011 – 7.5%)
Extended healthcare cost escalation	9.0%	per annum (2011 – 9.0%)
Dental benefits cost escalation	4.0%	per annum (2011 - 4.0%)

7. Contingencies and Commitments

a) Contingent Liabilities

i) During the normal course of operations, various proceedings and claims are filed against the hospital. The hospital reviews the validity of these claims and proceedings and management believes any settlement would be adequately covered by its insurance policies and would not have a material effect on the financial position or future results of operations of the hospital.

ii) The hospital participates in the Healthcare Insurance Reciprocal of Canada, a pooling of the public liability insurance risks of its hospital members. Members of the pool pay annual premiums, which are actuarially determined and are expensed in the current year. These premiums are subject to further assessment for experience gains and losses, by the pool, for prior years. To March 31, 2012, no assessments have been received.

7. Contingencies and Commitments (continued)

b) Doctor Payment Commitments

The hospital has entered into agreements to attract doctors to work in the area for the following amounts:

2013	2014	2015	2016	2017
$ 154,549	$110,389	$ 54,222	$ 18,889	$ 6,389

8. Other Supplies and Expenses

	2012	2011
Supplies	**$ 1,179,007**	$ 1,313,486
Insurance	**240,994**	245,861
Laundry	**187,085**	172,564
Patient travel	**175,976**	154,578
Other miscellaneous expenses	**720,833**	831,786
Equipment expenses	**868,030**	928,654
Laboratory services	**407,966**	384,517
Contracted out	**572,504**	545,156
Building/grounds	**149,499**	125,255
	$ 4,501,894	$ 4,701,857

9. Pension Plan

All full-time and certain part-time employees of the Hospital are members of the Healthcare of Ontario Pension Plan which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, that provide the highest earnings.

Pension assets consist of investment-grade securities. Market and credit risk on these securities are managed by the Healthcare of Ontario Pension Plan by placing plan assets in trust and through the Plan investment policy.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. Each year an independent actuary determines the funding status of the Plan by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan as at December 31, 2011 indicates the Plan is 103% funded. The results of this valuation disclosed total actuarial liabilities of $36,782 million in respect of benefits accrued for service, with actuarial net assets of $37,758 million indicating an actuarial surplus of $976 million. Because the Plan is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario Hospital Association members and their employees. As a result, the Hospital does not recognize any share of the Plan surplus or deficit.

Contributions to the Plan made during the year by the Hospital on behalf of its employees amounted to $941,504 (2011 - $981,402) and are included in salaries, wages and benefits in the statement of operations.

10. Obligation Under Capital Lease

	2012	2011
Obligation payable by monthly installments of $3,803 including interest at 3% per annum, due August 2016	**$ 185,193**	$ 224,716
Less: amount due within one year	**(40,710)**	(39,437)
	$ 144,483	$ 185,279

Obligations under capital lease are secured by endoscopy equipment.

The minimum lease payments for the next 5 years are as follows:

2013	$ 45,641
2014	45,641
2015	45,641
2016	45,641
2017	14,970
	197,534
Less imputed interest	12,341
	$ 185,193

During the year, interest of $6,227 was charged to the statement of operations related to this lease.

11. Related Entities

(a) Stevenson Memorial Hospital Foundation

The hospital has an economic interest in the Stevenson Memorial Hospital Foundation. The Foundation's goal is to focus on fundraising that support the priorities established by the hospital. This is accomplished by granting or using funds to support the mission of Stevenson Memorial Hospital. The Foundation is incorporated under the Ontario Corporations Act and is a registered charity under the Income Tax Act. The hospital does not exercise control or significant influence over the operations of the Foundation. Separate audited financial statements are prepared for the Foundation. Financial summaries of the Foundation are as follows:

	March 31 2012	March 31 2011
Financial Position		
Total assets	**$ 3,046,655**	$ 3,653,911
Total liabilities	**$ 31,884**	$ 181,437
Total net assets	**3,014,771**	3,472,474
	$ 3,046,655	$ 3,653,911
Results of Operations		
Total revenues	**$ 806,233**	$ 1,190,398
Expenses	**405,514**	260,701
Contributions to Stevenson Memorial Hospital	**858,422**	731,200
Total expenses and contributions	**1,263,936**	991,901
Excess (deficiency) of revenues over expenses and contributions for the year	**$ (457,703)**	$ 198,497

During the year, the hospital has received $858,422 (2011 - $718,242) from the Foundation for purchase of property, plant and equipment and gift in kind of $Nil (2011 - $8,927). The hospital also received from the Foundation $Nil (2011 - $4,041) as an education grant. The receivable from the Foundation is $7,442 (2011 - $99,218) at March 31, 2012. All contributions from the Foundation to the hospital are measured at fair value at the date of the contribution.

11. Related Entities (continued)

(b) Stevenson Memorial Hospital Auxiliary

The Auxiliary is an ancillary volunteer organization that is a registered charity under the Income Tax Act. Under its constitution and by-laws the stated purpose of the Auxiliary is to assist the hospital and the community. The Auxiliary is managed by an Executive Board elected by the members. The President of the Auxiliary is an ex-officio member of the Board of Directors of the hospital. Financial statements of the Auxiliary have not been consolidated in the hospital's financial statements. Financial summaries of the Auxiliary are as follows:

	March 31 2012	March 31 2011
Financial Position		
Total assets	$ 109,639	$ 80,520
Total liabilities	$ 3,368	$ 9,898
Total net assets	106,271	70,622
	$ 109,639	$ 80,520
Results of Operation		
Total revenues	$ 138,181	$ 103,634
Expenses	57,781	58,507
Contributions to the Foundation	44,751	15,000
Total expenses and contributions	102,532	73,507
Excess of revenues over expenses and contributions for the year	$ 35,649	$ 30,127

The financial statements of the Auxiliary are unaudited and are subject to an independent annual review engagement report.

12. Financial Instruments

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or asking prices as appropriate, in the most advantageous active market for that instrument to which the hospital has immediate access.

The hospital's financial instruments are comprised of cash and cash equivalents, accounts receivable, amounts due from the Stevenson Memorial Hospital Foundation, MOHLTC/CLHIN and the County of Simcoe, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the hospital is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and amounts due from the Stevenson Memorial Hospital Foundation, MOHLTC/CLHIN and the County of Simcoe approximates their fair values due to their short-term nature.

Credit risk

The hospital's cash is held at a Canadian Schedule I bank. The hospital's accounts receivable consists of a large number of patients, insurers and other organizations which owe small balances. Larger balances are owed by hospitals, other government organizations and municipalities. Management regularly reviews these for uncollectible amounts.

13. Management Services Agreement

In 2008, the hospital entered into a management services agreement with Southlake Regional Health Centre. The purpose of the agreement was to form a strategic association, whereby both hospitals can improve clinical services and maximize efficiencies. Southlake Regional Health Centre provides management and clinical support to the hospital in accordance with its strategic plan. The hospital has paid approximately $737,575 for the salaries of shared support services (2011 - $1,022,650). The agreement expires in the fiscal year 2013 with the option to renew indefinitely. A renewal of this agreement is currently being discussed.

14. Capital

The hospital considers its capital to be its unrestricted net assets and the unspent portion of deferred contributions. The hospital receives subsidies from the MOHLTC and CLHIN for the delivery of specific programs. These funds are maintained and disbursed under the terms of the relevant funding provisions and management is responsible for adhering to the provisions of these agreements.

In managing its capital, the hospital's primary objective is to safeguard its ability to continue as a going concern so it can continue to provide services to the residents of the County of Simcoe and to allow for future expansion.

The hospital maintains its capital by ensuring that annual operating and capital budgets are developed and approved by the Board of Directors and the MOHLTC and CLHIN based on known or estimated sources of funding available each year. These budgets are shared with all management of the hospital to assist in ensuring that the capital of the hospital is maintained at an appropriate level.