



Burntwood Regional Health Authority

2011-2012 ANNUAL REPORT



**BURNTWOOD REGIONAL HEALTH AUTHORITY
2011 - 2012 ANNUAL REPORT**

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The Public Interest Disclosure (Whistleblower Protection) Act

The Public Interest Disclosure (Whistleblower Protection) Act came into effect in April 2007. This law gives employees a clear process for disclosing concerns about significant and serious matters (wrongdoing) in the Manitoba public service, and strengthens protection from reprisal. The Act builds on protections already in place under other statutes, as well as collective bargaining rights, policies, practices and processes in the Manitoba public service.

Wrongdoing under the Act may be: contravention of federal or provincial legislation; an act or omission that endangers public safety, public health or the environment; gross mismanagement; or, knowingly directing or counseling a person to commit a wrongdoing. The Act is not intended to deal with routine operational or administrative matters.

A disclosure made by an employee in good faith, in accordance with the Act, and with a reasonable belief that wrongdoing has been or is about to be committed is considered to be a disclosure under the Act, whether or not the subject matter constitutes wrongdoing. All disclosures receive careful and thorough review to determine if action is required under the Act, and must be reported in a department's annual report in accordance with Section 18 of the Act.

There were no disclosures received under the Act in 1011-12, and therefore no investigations commenced as a result of a disclosure.

The Disclosure Officer for the Burntwood Regional Health Authority is the Chief Human Resources Officer.

The Public Sector Compensation Disclosure Act of Manitoba

The following information has been extracted from the Financial Statements of the Burntwood Regional Health Authority as audited by Kendall Pandya Chartered Accountants. The complete Financial Statements and Auditor's Report are available from the Burntwood Regional Health Authority upon request.

In compliance with the Public Sector Compensation Disclosure Act of Manitoba, the BRHA has available, in a statement prepared for the purpose, and certified by its auditor to be correct, the amount of compensation it paid or provided in the corresponding fiscal year for each of its officers and employees whose compensation was \$50,000 or more. This information is available on request by contacting the BRHA's access and privacy coordinator at (204) 778-1449. A copy is also provided to Manitoba Health.

Burntwood Regional Health Authority

ADMINISTRATIVE COSTS

2011/2012

Corporate = \$3,370,750 = 3.60%

Patient Care Related = \$315,241 = 0.34%

HR & Recruitment = \$911,041 = 0.97%

Total Administration = \$4,597,005 = 4.91%

Data Source: Manitoba Health Management Information System

FINANCIAL INFORMATION

The following financial information was extracted from the Audited Financial Statements reported on by Kendall Pandya in the Auditor's Report dated June 15, 2012. Our Annual Report is also published on our website: www.norman-rha.mb.ca

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of the
BURNTWOOD REGIONAL HEALTH AUTHORITY INC:**

Report on the Financial Statements

We have audited the statement of financial position of BURNTWOOD REGIONAL HEALTH AUTHORITY INC. as at March 31, 2012 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian 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 judgement, including 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 audit 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 the Burntwood Regional Health Authority Inc., as at March 31, 2012 and its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Thompson, Manitoba
June 15, 2012



Chartered Accountants.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2012

STATEMENT OF FINANCIAL POSITION

| | <u>2012</u> | <u>2011</u> |
|---|----------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Bank | \$ 993,984 | \$ - |
| Accounts receivable (Note 1) | 3,458,614 | 7,539,887 |
| Inventories | 590,517 | 644,128 |
| Prepaid expenses | 447,819 | 403,286 |
| Vacation entitlements receivable – Manitoba Health | 2,589,257 | 2,589,257 |
| Due from Manitoba Health (Note 2) | <u>2,359,866</u> | <u>4,645,683</u> |
| | \$ 10,440,057 | \$15,822,241 |
| Pre-retirement receivable-Manitoba Health | 1,555,430 | 1,555,430 |
| Capital assets (Note 3) | <u>42,373,551</u> | <u>43,747,466</u> |
| | <u>\$ 54,369,038</u> | <u>\$61,125,137</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Bank indebtedness (Note 4) | \$ - | \$ 3,712,625 |
| Manitoba Health cash advance (Note 14) | - | 350,000 |
| Accounts payable | 4,005,419 | 5,426,913 |
| Deferred revenue (Note 5) | 2,429,033 | 533,709 |
| Line of credit (Note 6) | 1,857,760 | 1,500,088 |
| Current portion of capital lease obligations (Note 7) | 180,916 | 181,518 |
| Vacation entitlements payable | <u>5,095,440</u> | <u>4,497,216</u> |
| | <u>13,568,568</u> | <u>16,202,069</u> |
| Manitoba Health cash advance (Note 14) | - | 3,000,000 |
| Accrued pre-retirement obligation (Note 12) | 2,817,334 | 2,683,168 |
| Capital lease obligations (Note 7) | - | 188,107 |
| Deferred contributions (Note 8) | | |
| Expenses of future periods | 126,586 | 121,285 |
| Capital assets | <u>34,486,543</u> | <u>35,755,807</u> |
| | <u>\$37,430,463</u> | <u>\$ 41,748,367</u> |
| Contingencies (Note 15) | | |
| NET ASSETS | | |
| Net assets invested in capital assets (Note 9) | 5,848,332 | 6,121,946 |
| Unrestricted net assets | <u>(2,478,325)</u> | <u>(2,947,245)</u> |
| | <u>3,370,007</u> | <u>3,174,701</u> |
| | <u>\$ 54,369,038</u> | <u>\$ 61,125,137</u> |

APPROVED BY THE BOARD:

See accompanying notes.




BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2012

STATEMENT OF OPERATIONS

| | <u>2012</u> | <u>2011</u> |
|---|--------------------------|----------------------------|
| REVENUE | | |
| Amortization of deferred contributions | \$ 2,254,066 | \$ 2,268,782 |
| Ancillary programs | 870,389 | 887,797 |
| Manitoba Health (Note 10) | 87,138,452 | 83,951,614 |
| Northern patient transportation program recoveries | 2,159,907 | 2,441,054 |
| Other | 418,810 | 1,155,006 |
| Patient | <u>803,029</u> | <u>931,967</u> |
| | <u>\$ 93,644,653</u> | <u>\$ 91,636,220</u> |
| EXPENSES | | |
| Acute care services | \$ 40,394,878 | \$ 39,670,367 |
| Amortization of capital assets | 2,254,066 | 2,268,782 |
| Ancillary operations | 870,392 | 887,797 |
| Community based – health services | 8,335,515 | 8,644,909 |
| Community based – home care | 2,037,232 | 1,780,719 |
| Community based – mental health | 1,775,720 | 1,600,204 |
| Land ambulance | 939,249 | 671,181 |
| Medical remuneration | 18,105,917 | 18,616,994 |
| Northern patient transportation program | 8,287,943 | 7,884,691 |
| Regional health authority | 7,359,631 | 6,897,084 |
| Support to seniors | 30,000 | 29,964 |
| Personal Care Home | <u>3,058,804</u> | <u>2,962,751</u> |
| | <u>\$ 93,449,347</u> | <u>\$91,915,443</u> |
| Excess (deficiency) of revenue over expenses for the year | <u>\$ 195,306</u> | <u>\$ (279,223)</u> |

See accompanying notes.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2012

STATEMENT OF CASH FLOWS

| | <u>2012</u> | <u>2011</u> |
|---|--------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Excess (Deficiency) of revenue over expenses | \$ 195,306 | \$ (279,223) |
| Adjustments for | | |
| Amortization of capital assets | 2,254,066 | ,268,782 |
| Amortization of deferred contributions | <u>(2,254,066)</u> | <u>(2,268,782)</u> |
| | <u>\$ 195,306</u> | <u>\$ (279,223)</u> |
| CHANGES IN NON-CASH WORKING CAPITAL BALANCES | | |
| Accounts receivable | 4,081,273 | (1,399,820) |
| Due from Manitoba Health | (1,064,183) | (503,237) |
| Inventories | 53,611 | (81,785) |
| Prepaid expenses | (44,533) | 186,289 |
| Accounts payable | (1,421,494) | 1,054,373 |
| Vacation entitlements payable | 598,224 | 654,232 |
| Deferred revenue | <u>1,895,325</u> | <u>(158,284)</u> |
| | <u>\$ 4,293,529</u> | <u>\$ (527,455)</u> |
| CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES | | |
| Purchase of capital assets | \$ (1,340,122) | |
| | \$(1,650,878) | |
| Disposal of Garden Hill asset net of amortization | 459,971 | - |
| Payments of capital lease obligation | (188,709) | (183,608) |
| Receipt of deferred contributions related to capital assets | 984,802 | 636,296 |
| Receipt of deferred contributions related to expenses of future periods | 5,301 | (45,298) |
| Pre-retirement obligation | 134,166 | 366,491 |
| Advances on line of credit | <u>357,672</u> | <u>288,748</u> |
| | <u>\$ 413,081</u> | <u>\$ (588,249)</u> |
| Increase (Decrease) in cash and cash equivalents during the year | 4,706,609 | (1,115,704) |
| Cash and cash equivalents, beginning of year | <u>(3,712,625)</u> | <u>(2,596,921)</u> |
| Cash and cash equivalents, end of year | <u>\$ 993,984</u> | <u>\$(3,712,625)</u> |
| Represented by: | | |
| Cash in bank | \$ 993,984 | \$ - |
| Bank indebtedness | <u>-</u> | <u>(3,712,625)</u> |
| | <u>\$ 993,984</u> | <u>\$(3,712,625)</u> |

The organization has designated its financial instruments as follows:

Cash is classified as a financial asset held for trading and is measured at fair value with gains and losses recognized in net earnings.

Accounts receivable, vacation entitlements receivable, pre-retirement receivable, and the amounts due from Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities, vacation entitlements payable and Manitoba Health cash advance, are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The organization has continued to apply Section 3861- *Financial Instruments- Disclosure and Presentation* in place of Sections 3862 and 3863

The fair value of cash, accounts receivable, vacation entitlements receivable, amounts due from the Province of Manitoba, accounts payable and accrued liabilities, vacation entitlements payable and Manitoba Health cash advance approximates their carrying values due to their short-term maturity.

The carrying value of the due from the Province of Manitoba – pre-retirement receivable approximates its fair value, as the annual interest accretion is funded.

The organization's activities are exposed to a variety of financial risks, which include:

a) Interest Rate Risk

The organization's main interest rate risk arises from short-term deposits raised for ongoing operations. The organization has no interest bearing debt. The organization periodically monitors the investment it makes and is satisfied with the credit rating of its banks.

b) Credit Risk

Credit risk arises from non-performance by counterparties of contractual financial obligations and is managed on a group basis. Credit risks arise from cash and deposits with banks, as well as credit exposures to customers for committed transactions. The organization does not have a significant concentration of credit risk with any one group.

c) Liquidity Risk

As at March 31, 2012 the organization had \$4,452,598 in cash and accounts receivable and \$4,005,419 in accounts payable. Prudent liquidity risk management implies maintaining sufficient cash through available funding via an adequate amount of committed credit facilities and the ability to close out financing positions. The organization manages liquidity risk by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

d) Concentration of Credit Risk

Exposure to credit risk arises through the failure of a customer or third party to meet its contractual obligations to the organization. The organization's maximum exposure to credit risk as at March 31, 2012 is its accounts receivable.

Inventories

Inventories are stated at the lower of cost and replacement cost. Cost is generally determined on a moving average basis.

7. Capital Lease Obligations

| | <u>2012</u> | <u>2011</u> |
|--|------------------|-------------------|
| Burntwood Community Health Resource Centre | | |
| The obligation under the capital lease is at an interest rate of 2% above prime adjusted semi-annually. The lease which is under flexible repayment terms is currently being repaid over 15 years with monthly payments of \$16,681 (principal and interest) | \$ 180,916 | \$ 362,348 |
| Lease Payable – Nexcap; monthly payments of \$ 1,149.66 including interest at 8.258 %. Due September 1, 2012 | \$ - | \$ 7,277 |
| Amount due within one year included in current liabilities | <u>(180,916)</u> | <u>(181,518)</u> |
| | <u>\$ -</u> | <u>\$ 188,107</u> |

The obligation under capital leases is secured by certain plant and office equipment.

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

| | |
|------|------------|
| 2013 | \$ 180,916 |
| 2014 | \$ - |
| 2015 | \$ - |
| 2016 | \$ - |
| 2017 | \$ - |

8. Deferred Contributions

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for major repairs and construction projects.

| | <u>2012</u> | <u>2011</u> |
|---|-------------------|-------------------|
| Balance, beginning of year | \$ 121,285 | \$ 166,583 |
| Add amount received during year | 5,301 | 26,099 |
| Deduct: transfer re: Personal Care Home | <u>-</u> | <u>(71,397)</u> |
| Balance, end of year | <u>\$ 126,586</u> | <u>\$ 121,285</u> |

b) Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations, grants received and funding received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donations, grants or funding received.

| | <u>2012</u> | <u>2011</u> |
|-----------------------------------|----------------------|---------------------|
| Balance, beginning of year | \$ 35,755,807 | \$37,388,293 |
| Additional contributions received | 984,802 | 636,296 |
| Less amounts amortized to revenue | <u>(2,254,066)</u> | <u>(2,268,782)</u> |
| Balance, end of year | <u>\$ 34,486,543</u> | <u>\$35,755,807</u> |

| 10. <u>Revenue from Manitoba Health</u> | <u>2012</u> | <u>2011</u> |
|---|----------------------|---------------------|
| Revenue as per Manitoba Health funding document | \$ 83,512,137 | \$80,386,209 |
| Add: HMO On Call Funding | - | 86,866 |
| HEPP Funding | 450,582 | - |
| Health Spending Account | 12,180 | 11,079 |
| NPTP One-time Funding | 5,300,000 | 220,000 |
| Wage standardization and market adjustment | - | 102,735 |
| Medical Education Reimbursement | 55,000 | - |
| MNU Northern Retention Allowance | 1,474,959 | 1,282,170 |
| Medical remuneration | 1,318,604 | 2,103,616 |
| Mobile Youth Crisis Program | 421,026 | 1,687 |
| Immunization funding | - | 50,742 |
| Community Support Wage Funding | 152,668 | - |
| MNU Nurses Signing Bonus | - | 217,545 |
| Reciprocal Revenue | 444,902 | - |
| Colonoscopy Funding | 35,000 | 48,050 |
| H1N1 Funding | - | 3,402 |
| Leap Year Wage Funding | 232,871 | - |
| Lab Supplies Funding | 502,000 | - |
| Drug Volume Pressures Funding | 24,900 | - |
| Volume Funding | 1,118,600 | - |
| Maternity Top Up | 173,039 | 156,603 |
| EMS Funding | - | 50,000 |
| RIS/PACS Reimbursement | <u>-</u> | <u>11,440</u> |
| | <u>\$11,716,331</u> | <u>\$4,345,935</u> |
| Deduct: | | |
| Nelson House PCH funding – flow through | \$ (665,883) | \$ (671,884) |
| Capital Funding | (160,536) | (85,552) |
| Deferred Volume Funding | (1,118,600) | - |
| NPTP Receivable Allowance | (5,257,747) | - |
| Account Receivable Allowance | (823,386) | - |
| Interest funding (actual) | <u>(63,864)</u> | <u>(23,094)</u> |
| | <u>\$(8,090,016)</u> | <u>\$ (780,530)</u> |
| Total funding approved by Manitoba Health | <u>\$87,138,452</u> | <u>\$83,951,614</u> |

11. Pension Plans

Most of the employees of the Authority are members of the Healthcare Employees Pension Plan (the “Plan”), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants’ Handbook section 3461.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management’s best estimates, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees’ contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2010, indicates a deficiency actuarial value of net assets over actuarial present value of accrued pension benefits of \$264,841,000 as well as a solvency deficiency of \$927,089,000. Effective January 1, 2011, the contribution rates increased by 1.0% for the employer and effective April 1, 2012 by 0.8% for the employee. On April 1, 2013, the employer rate will increase by 0.1% and the employee rate by 0.3%. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to \$1,895,097 (2011 – \$1,767,178) and are included in the statement of operations.

Some of the employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba liability related to the Civil Service Superannuation Plan. Accordingly, no provision is required in the financial statements relating to the effects of participating in the plan by the Authority and its employees. The Authority has chosen to continue to follow prior years practice of setting up a provision for this liability.

12. Pre-retirement Obligations

| | <u>2012</u> | <u>2011</u> |
|--|----------------------------|---------------------------|
| Members of the Health Employees Pension Plan | \$ 2,593,000 | \$2,481,971 |
| Members of the Civil Service Superannuation Plan | <u>224,334</u> | <u>201,197</u> |
| | <u>\$ 2,817,334</u> | <u>\$2,683,168</u> |

The RHA’s contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Healthcare Employees Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

- have ten year service and have reached the age of 55 or
- qualify for the “eighty” rule which is calculated by adding the number of years service to the age of the employee or
- retire at or after age 65 or
- terminate employment at any time due to permanent disability

The RHA’s contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Civil Service Superannuation Plan is to pay out, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

- one week of severance pay for each year of service up to 15 years of service
- two weeks of additional severance pay for each increment of five years of service past the 15 years of service up to 35 years of service

The Authority undertook an actuarial valuation of the accrued pre-retirement entitlements as of September 30, 2011. The significant actuarial assumptions adopted in measuring the Authority’s accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.15% (2011- 4.70%) and a rate of salary increase of 3.50% (2011 – 3.50%) plus age related merit/promotion scale with no provision for disability.

13. Obligations under Operating Leases

The Authority has entered into operating leases for rental units to assist with accommodation needs of the organization. Lease commitments for the next five years are as follows:

| | | | |
|-------------------|------------------|-------------|------------------|
| Year ended | March 31, | 2013 | \$432,841 |
| | | 2014 | \$416,220 |
| | | 2015 | \$305,580 |
| | | 2016 | \$207,900 |
| | | 2017 | \$207,900 |

Aggregate future minimum operating payments total \$ 1,570,441.

14. Manitoba Health Cash Advance

The Burntwood Regional Health Authority had received monies from Manitoba Health to assist in the cash flow of the organization. Repayment on the first advance was at a rate of \$150,000 per year for a period of 20 years commencing in fiscal 2011 and ending in fiscal 2026. During the year it was determined by Manitoba Health that the entire advance would be repaid in the current year.

| | |
|---------------------------|--------------------|
| Balance at March 31, 2011 | \$ 2,150,000 |
| Less: amount repaid | <u>(2,150,000)</u> |
| Balance at March 31, 2012 | <u>\$ -</u> |

The Burntwood Regional Health Authority had received a further \$1,500,000 cash advance during the fiscal year 2011. Repayment on this advance was at a rate of \$200,000 per year for a period of 7 years commencing in fiscal year 2012 and ending in fiscal 2017. During the year it was determined by Manitoba Health that the entire advance would be repaid in the current year.

| | |
|---------------------------|--------------------|
| Balance at March 31, 2011 | \$ 1,200,000 |
| Less: amount repaid | <u>(1,200,000)</u> |
| Balance at March 31, 2012 | <u>\$ -</u> |

