

Burntwood Regional Health Authority

2011-2012 ANNUAL REPORT



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Letter of Transmittal



September 30, 2012

The Honourable Theresa Oswald Minister of Health Room 302, Legislative Building Winnipeg, Manitoba R3C 0V8

Dear Minister:

On behalf of the Northern Regional Health Authority Board of Directors, I have the honour to present the Annual Report for the Burntwood Regional Health Authority, for the fiscal year ended March 31, 2012.

This Annual Report was prepared under the Board's direction, in accordance with The Regional Health Authorities Act and directions provided by the Minister of Health. All material, economic and fiscal implications known as of March 31, 2012 have been considered in preparing the Annual Report.

Respectfully submitted,

Doug Laurstad

Doug Lauvstad NRHA Board Chair



OUR REGION

The BRHA is the largest geographical health region in the province at 324,000 square kilometers covering 52% of the province. It encompasses one city, three towns, 20 First Nations communities (most of which have adjacent non-treaty communities), 12 Northern Affairs communities and multiple hamlets and cottage settlements dispersed in unorganized territories across the region.

Transportation and communication infrastructure is not as extensive as in other parts of the province. Some communities are accessible only by air or winter roads, and many homes may still not have a telephone or running water.

The total population is 46,818 and approximately half of the residents live in First Nations communities. 76% of the population declares Aboriginal descent. 33% of the residents are under the age 15 and only 4% are over the age of 65. Over two thirds of the population reports knowledge of at least one Aboriginal language.



Our Vision & Mission

Northern Health in Northern Hands

"To work with individuals, families and communities to achieve their best possible health and wellness."



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 payed 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.

Kerdall e Parelya



YEAR ENDED MARCH 31, 2012

STATEMENT OF FINANCIAL POSITION

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	188,107
126,586	121,285
	35,755,807
37,430,463	\$ 41,748,367
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	(2,947,245
	3,174,70
<u> </u>	\$ 61,125,13
5	126,586 34,486,543 637,430,463 5,848,332 (2,478,325) 3,370,007 6,54,369,038

See accompanying notes.





YEAR ENDED MARCH 31, 2012

STATEMENT OF OPERATIONS

	2012	<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	803,029	931,967
	\$ 93,644,653	\$ 91,636,220
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	3,058,804	2,962,751
	\$ 93,449,347	\$91,915,443
Excess (deficiency) of revenue over expenses for the year	<u>\$ 195,306</u>	\$ (279,223)

See accompanying notes.



YEAR ENDED MARCH 31, 2012

STATEMENT OF CASH FLOWS

	<u>2012</u>	<u>2011</u>
Excess (Deficiency) of revenue over expenses	\$ 195,306	¢ (270,222)
Adjustments for	\$ 195,500	\$ (279,223)
Amortization of capital assets	2,254,066	,268,782
Amortization of deferred contributions	(2,254,066)	(2,268,782)
	<u>\$ 195,306</u>	<u>\$ (279,223)</u>
CHANGES IN NON-CASH WORKING CAPITAL BA	LANCES	
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	1,895,325	(158,284)
	<u>\$ 4,293,529</u>	<u>\$ (527,455)</u>
	2 A OTIVITIE 2	
CASH FLOWS FROM INVESTING AND FINANCING		
Purchase of capital assets	\$ (1,340,122)	
Dismosal of Condon Hill asset not of amortimation	\$(1,650,878) 450,071	
Disposal of Garden Hill asset net of amortization	459,971	(192 (09)
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	<i>5</i> 201	(45.200)
of future periods	5,301	(45,298)
Pre-retirement obligation Advances on line of credit	134,166	366,491
Advances on line of credit	<u>357,672</u>	<u>288,748</u>
	\$ 413,081	\$ (588,249)
ncrease (Decrease) in cash and cash equivalents during the year	4,706,609	(1,115,704)
Cash and cash equivalents, beginning of year	(3,712,625)	(2,596,921)
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	ф <i>773,</i> 70 1	(3,712,625)
Dank indebtedness	<u> </u>	\$(3,712,625) \$(3,712,625)



BURNTWOOD REGIONAL HEALTH AUTHORITY INC. YEAR ENDED MARCH 31, 2012 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature and Purpose of Organization

Burntwood Regional Health Authority Inc. is a not for profit organization incorporated without share capital under the laws of Manitoba. The Authority is involved in the provision of health care services to persons resident in the Burntwood Region. The Authority is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

Basis of Accounting

These financial statements were prepared using Canadian generally accepted accounting principles for not-for-profit organizations and the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates

Basis of Reporting

These financial statements include the accounts of the following controlled not-for-profit organizations of the Authority:

Community Health Resources Centre
Community Health Services
Gillam Hospital
Ilford Community Health Centre
Leaf Rapids Health Centre
Lynn Lake Hospital
Northern Consultation Centre
Pikwitonei Community Health Centre
Thicket Portage Community Health Centre
Thompson General Hospital
Wabowden Community Health Centre
Northern Spirit Manor

Revenue Recognition

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

Under the Health Services Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed funding arrangements with Manitoba Health with respect to the year ended March 31, 2012.

With respect to actual operating results, certain adjustments to funding will be made by Manitoba Health after completion of their review of the Authority's accounts.

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In Globe Funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe Funding. This includes volume changes and price increases for the five service categories of Acute Care, Long-term Care, Community and Mental Health, Home Care and Emergency Response and Transportation. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to global funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines

what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba

Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals, which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

Any adjustments will be reflected in the year the final statement of recommended costs is received from Manitoba Health.

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.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purpose of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue in the year in which it is earned.

Contributed Materials and Services

Contributed materials and services, which are used in the normal course of the organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

Financial Instruments

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

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BURNTWOOD REGIONAL HEALTH AUTHORITY - 2011/12 ANNUAL REPORT

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.

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Capital Management

The organization's objective when managing capital is to maintain sufficient capital to cover its cost of operations. The organization's capital consists of net assets.

The organization's capital management policy is to:

- Meet short-term capital needs with working capital needs with working capital advances from the Manitoba Health and Healthy Living.
- Meet long term capital needs through long term debt with the Manitoba Health and Healthy Living.

The organization is not subject to externally imposed capital requirements.

There were no changes to the organization's approach to capital management during the period.

Capital Assets

Purchased capital assets are recorded at cost. Amortization based on the estimated useful life of the asset is calculated as follows:

Building 40 years straight-line basis
Computers 4 years straight-line basis
Equipment 10 years straight-line basis

Vacation Entitlements Receivable/Pre-retirement receivable – Manitoba Health

An offsetting receivable from Manitoba Health equal to the liability balance outstanding as at March 31, 2004 has been recorded.

The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to the Burntwood Regional Health Authority, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when it is determined that the funding is required to discharge the related pre-retirement liabilities.

Pre - Retirement Obligation

The Authority applies the accounting recommendations for employee future benefits contained in Section 3461 of the Canadian Institute of Chartered Accountants' Handbook.



YEAR ENDED MARCH 31, 2012

NOTES TO FINANCIAL STATEMENTS

Accounts Receivable

	<u>2012</u>	<u>2011</u>
Patients Receivable	\$ 2,691,927	\$2,045,596
Other	183,946	205,588
Goods and Services Tax 271,819	89,647	
Northern Patient Transportation Program	<u>6,529,075</u>	<u>5,464,266</u>
, , , , , , , , , , , , , , , , , , ,	9,676,767	7,805,097
Allowance for Doubtful Accounts	<u>(6,218,153)</u>	(265,210)
	<u>\$3,458,614</u>	<u>\$7,539,887</u>

Due (to) from Manitoba Health

2009-10 Board Expenses	-	936
2009-10 EMS Funding	-	50,000
2009-10 MAHCP Wage Standardization	-	229,631
2009-10 Medical Remuneration	-	1,461,430
2010-11 MYC Program Funding	1,687	1,687
2010-11 Board Expenses	1,109	2,123
2010-11 Immunization Funding	50,743	50,743
2010-11 Health Spending Account	-	11,079
2010-11 HEPP	-	59,850
2010-11 NPTP Funding	-	220,000
2010-11 HEB Receivable	-	163,903
2010-11 Colonoscopy Funding	-	48,050
2010-11 Community Retro Adjustments	-	67,400
2010-11 Trades Accounts	-	3,381
2010-11 Pine Service – Education Coordinator	-	55,000
2010-11 Maternity Top-Up	-	66,854
2010-11 EMS Funding	-	50,000
2010-11 Medical Remuneration	-	2,103,616
2011-12 Community Support Wage Standardization	83,678	-
2011-12 Medical Remuneration	1,318,604	-
2011-12 MYC Program Funding	490,000	-
2011-12 Pine Service – Education Coordinator	55,000	-
2011-12 HEPP	286,680	-
2011-12 Maternity Top-Up	64,665	-
2011-12 Colonoscopy Funding	<u>7,700</u>	_
	<u>\$ 2,359,866</u>	<u>\$4,645,683</u>



3. Capital Assets

	Cost	Accumulated Amortization	2012 Net Book Value	Cost	Accumulated Amortization	2011 Net Book Value
Land	\$ 235,468	\$ -	\$ 235,468	\$ 235,468	\$ -	\$ 235,468
Buildings	52,502,161	16,107,870	36,394,291	52,973,926	14,889,028	38,084,898
Computers	2,319,286	1,811,527	507,759	2,310,850	1,556,592	754,258
Equipment	20,582,429	15,893,973	4,688,456	19,636,613	15,125,478	4,511,135
Construction						
in Progress	547,577	<u> </u>	547,577	161,707	_	161,707
	<u>\$76,186,92</u>	1 \$33,813,370	<u>\$42,373,551</u>	<u>\$75,318,564</u>	<u>\$31,571,098</u>	<u>\$43,747,466</u>

Included in capital asset additions during the year is interest of \$30,308 (2011 - \$23,094) which has been capitalized.

4. Bank Indebtedness

The Burntwood Regional Health Authority Inc. has an authorized operating line of credit of \$4.1 million bearing interest at the bank's prime rate minus ½%. Security provided on this line of credit includes an overdraft borrowing agreement and a Letter of Comfort from Manitoba Health.

5. Deferred Revenue

Deferred revenue consists of Manitoba Health funding received in the fiscal year for various programs. This allocation of funding is recognized as revenue when program expenses are incurred. The change in the deferred revenue balance for the year is as follows:

Balance, beginning of year Amount recognized as revenue in the current year Funding received	\$\frac{2012}{533,709} \\$ 691, (1,419,698) (1,211,754) \frac{3,315,022}{1,053,470}	-)
Balance, end of year	\$2,429,033 \$ 533,709) =
6. Line of Credit	2012	2011
Demand capital line of credit payable to		
the Royal Bank of Canada bearing interest at prime minus 0.65%.	<u>\$ 1,857,760</u>	<u>\$1,500,088</u>

The Royal Bank line of credit is secured by a Letter of Comfort from Manitoba Health.



7. Capital Lease Obligations

Burntwood Community Health Resource Centre	<u>2012</u>	<u>2011</u>
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>	\$ 188,107

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		(71,397)
Balance, end of year	\$ 126,586	<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 Additional contributions received Less amounts amortized to revenue	\$ 35,755,807 984,802 (2,254,066)	\$37,388,293 636,296 (2,268,782)
Balance, end of year	\$ 34,486,543	\$35,755,807



9. Net Assets Invested in Capital Assets

a) Investment in capital assets is calculated as follows:

Capital assets \$42,373,551 \$43,747,466		2012	<u>2011</u>
Deferred contributions	Capital assets	\$42,373,551	\$43,747,466
b) Change in net assets invested in capital assets is calculated as follows: 2012 2011	Deferred contributions Lines of credit	1,857,760	1,500,088
Excess (Deficiency) of revenue over expenses for the year Amortization of deferred contributions related to capital assets Amortization of capital assets Excess: reduction of Garden Hill asset amortization Net changes in investment in capital assets Purchase of capital assets Purchase of capital lease obligation Advances on line of credit Manitoba Health – Capital asset funding 2012 2011 2011 \$2012 2011 \$2018 \$2,268,782 \$2,268,782 (2,254,066) (2,268,782) (2,254,066) (2,268,782) (2,254,066) (2,268,782)		<u>\$ 5,848,332</u>	\$ 6,121,946
Excess (Deficiency) of revenue over expenses for the year Amortization of deferred contributions related to capital assets \$2,254,066\$ \$2,268,782 Amortization of capital assets (2,254,066) (2,268,782) Less: reduction of Garden Hill asset amortization \$11,794\$ \$ Net changes in investment in capital assets Purchase of capital assets Purchase of capital assets \$1,340,122\$ \$1,650,878 Disposal of Garden Hill asset (471,765) Payment of capital lease obligation \$188,709\$ \$183,608 Advances on line of credit (357,672) (288,748) Manitoba Health – Capital asset funding (984,802) (636,296)	b) Change in net assets invested in capital assets is calculated a	s follows:	
to capital assets Amortization of capital assets Less: reduction of Garden Hill asset amortization Net changes in investment in capital assets Purchase of capital assets Purchase of Garden Hill asset Pisposal of Garden Hill asset Payment of capital lease obligation Advances on line of credit Manitoba Health – Capital asset funding \$ 2,254,066 (2,254,066) (1,794) \$ - \$ 1,340,122 \$1,650,878 (471,765) - 188,709 183,608 (357,672) (288,748) (288,748) (288,748) (285,408) 909,442		<u>2012</u>	<u>2011</u>
Less: reduction of Garden Hill asset amortization $\frac{11,794}{\$ 11,794} = \frac{-}{\$ -}$ Net changes in investment in capital assets Purchase of capital assets Purchase of Garden Hill asset $(471,765)$ Payment of capital lease obligation $188,709$ Advances on line of credit $(357,672)$ Manitoba Health – Capital asset funding $\frac{(285,408)}{(285,408)}$	to capital assets		
Purchase of capital assets \$ 1,340,122 \$ 1,650,878 Disposal of Garden Hill asset (471,765) - Payment of capital lease obligation 188,709 183,608 Advances on line of credit (357,672) (288,748) Manitoba Health – Capital asset funding (984,802) (636,296) (285,408) 909,442		11,794	
Disposal of Garden Hill asset (471,765) - Payment of capital lease obligation 188,709 183,608 Advances on line of credit (357,672) (288,748) Manitoba Health – Capital asset funding (984,802) (636,296) (285,408) 909,442			
Payment of capital lease obligation 188,709 183,608 Advances on line of credit (357,672) (288,748) Manitoba Health – Capital asset funding (984,802) (636,296) (285,408) 909,442			\$1,650,878
Advances on line of credit (357,672) (288,748) Manitoba Health – Capital asset funding (984,802) (636,296) (285,408) 909,442			- 183 608
Manitoba Health – Capital asset funding (984,802) (636,296) (285,408) 909,442			
	Manitoba Health – Capital asset funding		(636,296)
<u>\$ (273,614)</u>		(285,408)	909,442
		<u>\$ (273,614)</u>	<u>\$ 909,442</u>



10.	Revenue from Manitoba Health	<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	_	11,440
		\$11,716,331	<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)	(63,864)	(23,094)
		<u>\$(8,090,016)</u>	\$ (780,530)
	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 Members of the Civil Service Superannuation Plan	\$ 2,593,000 224,334	\$2,481,971 201,197
	<u>\$ 2,817,334</u>	\$2,683,168

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

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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	(2,150,000)
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	(1,200,000)
Balance at March 31, 2012	\$ -

Burntwood Regional Health Authority

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15. Contingencies

- a) The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2012, management believes the Authority has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.
- b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permits persons reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums of any experience by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2012.
- c) Due to the dismissal of three senior executives in a previous period, litigation proceedings were on going at the time of the audit report. The likelihood or financial implications if any, are not determinable at the time of this report.

16. Inter Program Charges

Included in the statement of operations are inter program charges which result in a reduction in Regional Health Authority costs of \$36,000 and an increase in ancillary costs of \$36,000.

17. Economic Dependence

The Health Authority is economically dependent on Manitoba Health as substantially all the revenue of the organization is funding by Manitoba Health.

18. Subsequent Event

As a result of the Province of Manitoba announcement, the Board unanimously endorsed the amalgamation proposal which will amalgamate Burntwood Regional Health Authority Inc. and Norman Regional Health Authority Inc. to form a new RHA with an effective date of the amalgamation of May 18, 2012.

The amalgamation subsequently took effect pursuant to Regulations on May 30, 2012.



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For Amalgamation information visit: www.nrha.ca