

**FINANCIAL STATEMENTS**

**HORIZON HEALTH NETWORK**

( Regional Health Authority B )

March 31, 2012



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**Chartered Accountants**

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## INDEPENDENT AUDITORS' REPORT

To the Chairperson and Members of the Board of Directors of Horizon Health Network

We have audited the accompanying financial statements of Horizon Health Network ("the Entity"), which comprise the statement of financial position as at March 31, 2012, the statements of operations, change in accumulated deficit, change in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our 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 our 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, we consider 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 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 Horizon Health Network as at March 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

June 13, 2012  
Fredericton, Canada

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# **HORIZON HEALTH NETWORK**

**Financial Statements  
Year Ended March 31, 2012**

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Statement of Financial Position

Statement of Operations

Statement of Change in Accumulated Deficit

Statement of Change in Net Debt

Statement of Cash Flows

Notes to Financial Statements

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**Horizon Health Network****STATEMENT OF FINANCIAL POSITION**

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**As at March 31**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>		
Cash and cash equivalents	14,109,470	19,087,004
Accounts receivable (note 6)	68,255,424	55,854,981
Investments and restricted cash (note 7)	20,834,040	20,648,702
	<u>103,198,934</u>	<u>95,590,687</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 8)	124,373,302	128,091,647
Designated funds (note 9)	6,172,763	6,192,432
Long-term debt	-	2,890
Employee future benefits (note 10)	49,999,800	48,626,000
Capital funding (note 11)	406,570,895	417,794,636
	<u>587,116,760</u>	<u>600,707,605</u>
<b>Net debt</b>	<u>(483,917,826)</u>	<u>(505,116,918)</u>
<b>Non -financial assets</b>		
Tangible capital assets (note 12)	410,901,265	422,692,585
Inventory (note 13)	9,651,835	9,999,007
Prepaid expenses	2,535,982	5,104,165
	<u>423,089,082</u>	<u>437,795,757</u>
<b>Accumulated deficit</b>	<u>(60,828,744)</u>	<u>(67,321,161)</u>

*Commitments (note 16)**Contingencies (note 19)**See accompanying notes***Approved by the Board:**\_\_\_\_\_  
*Director*\_\_\_\_\_  
*Director*

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**Horizon Health Network****STATEMENT OF OPERATIONS**

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<b>Year ended March 31</b>	<b>Budget 2012 \$</b>	<b>Actual 2012 \$</b>	<b>Actual 2011 \$</b>
	(Unaudited) (Note 3)		
<b><u>Revenues</u></b>			
Department of Health	1,059,105,033	1,062,283,918	1,045,095,391
Government of Canada	15,808,202	15,810,089	15,414,841
Patient recoveries	34,476,353	33,979,882	31,216,044
Other recoveries and sales	11,232,543	15,486,900	14,717,144
Board generated	12,509,557	12,876,219	13,438,593
	<u>1,133,131,688</u>	<u>1,140,437,008</u>	<u>1,119,882,013</u>
<b><u>Expenses</u></b>			
Nursing inpatient services	327,564,747	326,637,995	329,667,466
Non-inpatient services	132,283,347	132,352,967	129,018,903
Diagnostic and therapeutic services	185,571,591	187,488,614	183,825,735
Community services	100,179,468	100,278,894	98,214,029
Medicare	162,956,997	167,414,438	157,943,181
Research and education	15,298,179	14,241,576	13,907,087
Support services	169,651,436	167,855,767	168,488,613
Administrative services	25,078,824	22,119,930	23,633,131
Ancilliary services	2,007,599	2,105,568	1,797,579
Board sponsored	13,714,672	12,231,930	12,764,310
	<u>1,134,306,860</u>	<u>1,132,727,679</u>	<u>1,119,260,034</u>
Surplus (deficit) from operations before undernoted	<u>(1,175,172)</u>	<u>7,709,329</u>	<u>621,979</u>
Amortization of capital funding	33,815,129	33,361,320	35,215,780
Amortization of tangible capital assets	(34,508,895)	(34,031,787)	(36,562,284)
Sick pay obligation (note 10)	(1,358,700)	(938,400)	(1,358,700)
Surplus (deficit) for the year	<u>(3,227,638)</u>	<u>6,100,462</u>	<u>(2,083,225)</u>

*See accompanying notes*

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**Horizon Health Network****STATEMENT OF CHANGE IN ACCUMULATED DEFICIT**

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**Year ended March 31**

	<b>Budget 2012 \$</b>	<b>Actual 2012 \$</b>	<b>Actual 2011 \$</b>
	(Unaudited) (Note 3)		
<b>Accumulated deficit - beginning of year</b>	-	(67,321,161)	(66,108,987)
Annual surplus (deficit)	(3,227,638)	6,100,462	(2,083,225)
Endowments and restricted funds expenditures	-	13,674	5,132
Other comprehensive income	-	378,281	865,919
		6,492,417	(1,212,174)
<b>Accumulated deficit - end of year</b>		(60,828,744)	(67,321,161)

**Comprised of the following:**

Unrestricted		(81,437,978)	(87,792,725)
Investment in capital assets		4,330,370	4,895,059
Endowments and restricted funds		840,854	784,369
Board equity (note 18)		15,438,010	14,792,136
<b>Accumulated deficit - end of year</b>		(60,828,744)	(67,321,161)

*See accompanying notes*

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**Horizon Health Network****STATEMENT OF CHANGE IN NET DEBT**

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**Year ended March 31**

	<b>Budget 2012 \$</b>	<b>Actual 2012 \$</b>	<b>Actual 2011 \$</b>
	(Unaudited) (Note 3)		
<b>Net debt - beginning of year</b>	-	(505,116,918)	(506,948,715)
<b>Changes in year</b>			
Annual surplus (deficit)	(3,227,638)	6,100,462	(2,083,225)
Other comprehensive income	-	378,281	865,919
Acquisition of tangible capital assets	-	(22,267,108)	(33,973,710)
Amortization of tangible capital assets	-	34,031,787	36,562,284
Loss on disposal of tangible capital assets	-	6,981	19,786
Proceeds on disposal of tangible capital assets	-	19,660	3,300
Net change in supplies inventory - decrease (increase)	-	347,172	350,235
Net change in prepaid expenses - decrease (increase)	-	2,568,183	82,076
Endowments and restricted funds expenditures	-	13,674	5,132
<b>Decrease in net debt</b>		21,199,092	1,831,797
<b>Net debt - end of year</b>		(483,917,826)	(505,116,918)

*See accompanying notes*

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**Horizon Health Network****STATEMENT OF CASH FLOWS**

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**Year ended March 31**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Cash and cash equivalents provided by (used in):</b>		
<b>Operating activities</b>		
Surplus (deficit) for the year	6,100,462	(2,083,225)
Add (deduct) items not requiring an outlay of cash		
Amortization of tangible capital assets	34,031,787	36,562,284
Amortization of capital funding	(33,361,320)	(35,211,280)
Increase in employee future benefits	1,373,800	1,563,900
Loss (gain) on disposal of tangible capital assets	6,981	19,786
Gain on disposal of investments	(22,904)	(25,114)
	<u>8,128,806</u>	<u>826,351</u>
Net change in non-cash working capital balances related to operations (note 14)	<u>(13,330,812)</u>	<u>19,281,729</u>
	<u>(5,202,006)</u>	<u>20,108,080</u>
<b>Capital transactions</b>		
Purchase of tangible capital assets	(13,583,005)	(11,658,961)
Proceeds on disposal of tangible capital assets	19,660	3,300
Increase in capital funding	13,587,823	14,038,173
	<u>24,478</u>	<u>2,382,512</u>
<b>Financing activities</b>		
Endowment expenditures	13,674	5,132
Decrease in short term borrowing	-	(11,040,051)
Repayment of long-term debt	(2,890)	(842,216)
Decrease in contributions receivable	-	701,967
	<u>10,784</u>	<u>(11,175,168)</u>
<b>Investing activities</b>		
Proceeds on disposal of investments	14,685,790	280,896
Purchase of investments	(14,496,580)	(486,705)
	<u>189,210</u>	<u>(205,809)</u>
Cash and cash equivalents increase (decrease) during the year	(4,977,534)	11,109,615
Cash and cash equivalents, beginning of year	19,087,004	7,977,389
Cash and cash equivalents, end of year	<u>14,109,470</u>	<u>19,087,004</u>

*See (note 14) for supplemental cash flow information**See accompanying notes*

**NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2012**

**1. REPORTING ENTITY**

Regional Health Authority B, operating as Horizon Health Network (Horizon), was created on September 1, 2008 by the merger of the Regional Health Authorities 1SE, 2, 3 and 7 through Bill 34, an act to amend the Regional Health Authorities Act of the Province of New Brunswick.

The principal activity of Horizon is the provision of health care services to the south-eastern, western and southern areas of New Brunswick. Through a network of hospitals, health centres and specialty centres Horizon provides programs and services ranging from primary care to specialized and tertiary services. Community based services, such as the Extra-Mural Program, Community Mental Health and Public Health are located in several communities.

**2. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian public sector accounting standards. The significant accounting policies used in the preparation of these financial statements are as follows:

***Revenue Recognition***

Government transfers (Government of Canada and Department of Health) and donations without eligibility criteria and stipulations restricting their use are recognized as revenue in the Statement of Operations and Change in Accumulated Deficit when the transfers are authorized.

Government transfers (Government of Canada and Department of Health) and donations with eligibility criteria but no stipulations are recognized as revenue in the Statement of Operations and Change in Accumulated Deficit when the transfers are authorized, and the eligibility criteria are met by Horizon.

Government transfers (Government of Canada and Department of Health) and donations with stipulations restricting their use are recognized as revenue in the Statement of Operations and Change in Accumulated Deficit when the transfer is authorized, and the eligibility criteria is met by Horizon except when, and to the extent that, the transfer gives rise to an obligation that constitutes a liability. When the transfer gives rise to an obligation that constitutes a liability, the transfer is recognized in revenue when, and in proportion to how, the liability is settled.

Provision of service or sale of goods are recognized when the service is provided or when the customer takes ownership, the amount can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as direct increases in net 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 when earned.

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**Horizon Health Network**

**NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2012**

***Expense Recognition***

Expenses are recorded on the accrual basis as they are incurred and are measurable based on receipt of goods or services and obligation to pay.

***Asset Classification***

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not to be consumed in the normal course of operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver healthcare services, may be consumed in normal operations and are not for resale.

***Financial Instruments***

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and Horizon's designation for such instruments. Settlement date accounting is used.

Classification

Cash and cash equivalents	Held-for-trading
Accounts receivable	Loans and receivables
Investments and restricted cash	Available-for-sale
Accounts payable and accrued liabilities	Other liabilities
Designated funds	Other liabilities
Employee future benefits	Other liabilities
Long-term debt	Other liabilities

Held-for-trading

Held-for-trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held-for-trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in Board generated revenue and expense.

**NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2012**

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or held-for-trading investments. Except as mentioned below, available-for-sale financial assets are carried at fair value with unrealized gains and losses included in accumulated deficit - Board equity.

Available-for-sale financial assets that do not have quoted market prices in an active market are recorded at cost.

Interest on interest-bearing, available-for-sale financial assets is calculated using the effective interest method.

*Derivatives*

Horizon does not enter into any derivative financial instrument arrangements.

*Transaction Costs*

Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other liabilities and loans and receivables are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest method.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities.

*Cash and Cash Equivalents*

Horizon considers cash balances with banks, net of overdrafts, and highly liquid temporary money market instruments with original maturities of three months or less, as cash and cash equivalents. Bank borrowings are considered to be financing activities.

*Foreign Currency Transactions*

The market values of investments listed in foreign currencies are translated into Canadian dollars at the year-end closing exchange rate. In calculating unrealized gains or losses on foreign securities, cost values are translated into Canadian dollars at the rate of exchange on the transaction date.

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**Horizon Health Network****NOTES TO FINANCIAL STATEMENTS**

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Year ended March 31, 2012

***Vacation Pay and Overtime***

Vacation pay and overtime is accrued to year end. The related funding from the Department of Health is recorded when received.

***Sick Pay***

Employees of Horizon are entitled to sick-pay benefits which accumulate but do not vest. In accordance with public sector accounting standards for post-employment benefits and compensated absences, Horizon recognizes the liability in the period in which the employee renders service.

***Tangible Capital Assets***

Tangible capital assets are assets owned by Horizon which have useful lives greater than one year.

Tangible capital assets are recorded at gross cost. Contributions received to assist in the acquisition of tangible capital assets are reported as capital funding contributions and recognized in revenue as the liability to provide service is satisfied.

Tangible capital assets are amortized as follows:

Asset	Rate
Land improvements	4% to 20%
Leasehold improvements	10% to 20%
Buildings	2.5% to 10%
Equipment	2.5% to 50%

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Construction in progress is not amortized.

***Inventory***

Inventory is valued at the lower of average cost and net realizable value with cost being determined on the average cost basis.

**NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2012**

*Use of Estimates*

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Areas of significant estimate include allowance for doubtful accounts, working capital funding estimates, amortization of tangible capital assets and recognition of capital funding, accruals and employee future benefits. Actual results could differ from those estimates.

*Asset Impairment*

When a tangible capital asset no longer has any long-term service potential to Horizon, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

**NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2012**

**3. BUDGET**

The unaudited budget amounts included in these financial statements are the amounts approved by Horizon's Board for the current fiscal year. The budget would include all known service and program changes and enhancements for the coming year. Additional changes to services and programs that are initiated during the course of the year would be funded through budget amendments, but not reflected in the budget for the current fiscal year. Programs and services added, that are of a recurring nature, would be included in the budget for the subsequent fiscal year.

**4. ECONOMIC DEPENDENCE**

Horizon is dependent on the Department of Health to provide sufficient funds to continue operations, replace essential equipment and complete its capital projects.

**5. FINANCIAL INSTRUMENTS**

*Credit Risk*

Credit risk arises from the potential that a counter party will fail to perform its obligations. Horizon monitors the collectability of its accounts receivable on an on-going basis.

*Fair Value*

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value due to the relatively short-term maturities of these instruments. Investments and restricted cash are carried at fair value.

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**Horizon Health Network****NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2012****6. ACCOUNTS RECEIVABLE**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<hr/>		
<u>Province of New Brunswick</u>		
Medicare	27,506,199	17,457,481
Equipment grants	3,271,364	3,684,126
Provincial plan	6,776,877	275,684
Budget amendments	7,307,286	9,876,473
Estimated year end adjustments	(2,846,346)	3,112,797
Other	1,675,521	1,739,650
	<hr/> 43,690,901	<hr/> 36,146,211
Patient, net of allowance for doubtful accounts of \$2,962,865 - (2011 - \$2,436,166)	11,480,802	9,424,575
Other related entities (note 15)	6,934,611	3,533,350
HST	2,923,167	2,988,591
Other	3,225,943	3,762,254
	<hr/> 68,255,424	<hr/> 55,854,981

**7. INVESTMENTS AND RESTRICTED CASH**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Fixed income securities	6,397,140	6,506,188
Canadian denominated stocks	4,470,486	3,195,388
U.S. denominated stocks	3,899,907	4,913,146
Amounts held in cash	6,066,507	6,033,980
	<hr/> 20,834,040	<hr/> 20,648,702

The amounts held in cash are restricted for designated funds (note 9).

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**Horizon Health Network****NOTES TO FINANCIAL STATEMENTS**

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Year ended March 31, 2012

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>2012</b>	<b>2011</b>
	\$	\$
Accounts payable and other accrued liabilities	43,047,563	51,640,251
Salaries and benefits	38,130,668	34,133,693
Accrued vacation pay	43,195,071	42,317,703
	<b>124,373,302</b>	<b>128,091,647</b>

**9. DESIGNATED FUNDS**

	<b>2012</b>	<b>2011</b>
	\$	\$
Patient and other funds	1,669,798	1,751,292
Educational funds	1,163,195	1,061,741
Research funds	3,339,770	3,379,399
	<b>6,172,763</b>	<b>6,192,432</b>

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**Horizon Health Network****NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2012****10. EMPLOYEE FUTURE BENEFITS****( A ) Former CEO Pension**

A predecessor Corporation entered into supplementary pension arrangements with two of its former Chief Executive Officers on September 21, 1993 and May 8, 1995. The Province of New Brunswick has agreed to fund a portion of the obligations.

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Total actuarial value, beginning of year	1,196,000	1,041,500
Change during the year	419,708	236,635
Less: payments made during the year	<u>(87,508)</u>	<u>(82,135)</u>
Total actuarial value, end of year	<u><u>1,528,200</u></u>	<u><u>1,196,000</u></u>

**( B ) Other Pension**

The Corporation entered into additional pension arrangements with four former employees of the West Saint John Community Hospital and an amount was recorded at March 31, 2007 equal to the present value of future monthly payments.

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Total actuarial value, beginning of year	224,600	173,900
Change during the year	115,533	59,615
Less: payments made during the year	<u>(12,333)</u>	<u>(8,915)</u>
Total actuarial value, end of year	<u><u>327,800</u></u>	<u><u>224,600</u></u>
Total pension related employee future benefits	<u><u>1,856,000</u></u>	<u><u>1,420,600</u></u>

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**Horizon Health Network****NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2012****( C ) General Pensions**

Current employees of Horizon Health Network are covered by the Public Service Pension Plans of the Province of New Brunswick. The Public Service Pension Plans are a defined benefit multi-employer plan under which contributions are made by both Horizon and the employees. For the fiscal year ended March 31, 2012, Horizon expensed contributions of \$24,330,769 (2011- \$23,232,399) under the terms of the plan. Horizon has no direct liability or entitlement to any unfunded liability or surplus in the Plans related to its current or former employees.

**( D ) Sick Pay**

Horizon employees working full-time/part-time hours receive sick leave that accumulates at varying amounts per month based on group. Unused hours can be carried forward for future paid leave and employees can accumulate up to a maximum of 1800 hours. An actuarial estimate for this future liability has been completed and forms the basis for the estimated liability reported in these financial statements.

Significant economic and demographic assumptions used in the actuarial valuation are:

Discount rate:	3.29% per annum - equal to Province's long term borrowing rate
Salary growth rate:	3% per annum
Retirement age:	age 60

Based on actuarial valuation of the liability, at March 31, 2012, the results are:

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Accrued sick pay obligation at April 1	47,205,400	45,846,700
Current service cost	5,719,100	5,552,600
Interest on obligation	2,111,800	2,185,600
Benefit payments	(6,892,500)	(6,379,500)
Accrued sick pay obligation at March 31	48,143,800	47,205,400

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**Horizon Health Network****NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2012****( E ) Retirement Allowances**

Employees with continuous service of five or more years are entitled to receive a lump-sum payment equal to one week of pay for each full year of employment to a maximum of 25 weeks of pay upon retirement or as specified by collective agreements. Funding of these retirement allowances is the responsibility of the Province. Accordingly, no liability for these allowances has been recorded in these financial statements.

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Total future employee benefit obligations at March 31	49,999,800	48,626,000
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**11. CAPITAL FUNDING**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
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The changes in the capital funding balances during the year are as follows:		
Balance, beginning of year	417,794,636	419,178,863
Additional contributions received	22,164,220	33,831,553
Disposal of assets - net	(26,641)	(4,500)
Less: amortized to revenue	(33,361,320)	(35,211,280)
	<hr/>	<hr/>
	406,570,895	417,794,636
	<hr/>	<hr/>

Capital funding related to capital assets represents the amount of donations and grants received for which stipulations exist and the related liability has not been settled. Revenue is recognized as the liability is settled.

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**Horizon Health Network****NOTES TO FINANCIAL STATEMENTS**

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Year ended March 31, 2012

**12. TANGIBLE CAPITAL ASSETS**

	Cost	Accumulated Amortization	Net Book Value	
			2012	2011
	\$	\$	\$	\$
Land	4,361,125	-	4,361,125	4,361,125
Land improvements	12,509,201	6,195,226	6,313,975	6,748,812
Leasehold improvements	1,185,277	940,879	244,398	306,807
Buildings	539,701,466	264,847,804	274,853,662	247,929,900
Equipment	453,435,137	332,503,220	120,931,917	117,940,931
Construction in progress	4,196,188	-	4,196,188	45,405,010
	1,015,388,394	604,487,129	410,901,265	422,692,585

**13. INVENTORY**

	2012	2011
	\$	\$
Drugs	4,034,961	4,073,647
Medical, surgical, general supplies	5,616,874	5,925,360
	9,651,835	9,999,007

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**Horizon Health Network****NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2012****14. STATEMENT OF CASH FLOWS**

Changes in non-cash operating working capital items were as follows:

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Decrease (increase) in</b>		
Accounts receivable	(12,400,443)	15,886,583
Inventory	347,172	350,235
Prepaid expenses	2,568,183	82,075
	<u>(9,485,088)</u>	<u>16,318,892</u>
<b>Increase (decrease) in</b>		
Accounts payable and accrued liabilities	(3,718,345)	5,150,813
Designated funds	(19,669)	337,893
	<u>(3,738,014)</u>	<u>5,488,706</u>
Tangible capital asset additions not yet paid at year end	(107,710)	(2,525,869)
	<u>(13,330,812)</u>	<u>19,281,729</u>

*Supplemental Information*

During the year, Horizon received and paid the following:

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Interest received	342,967	2,250,644
Interest paid	21,654	414,644

Non-cash contributions of tangible capital assets and capital funding are \$8,576,395 (2011 - \$19,788,800)

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**Horizon Health Network****NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2012****15. RELATED PARTIES**

Horizon has an economic interest in several foundations and auxiliaries which are registered charitable organizations incorporated in various communities. Their purpose is to raise, invest and distribute funds used in the enhancement of services and facilities throughout Horizon.

Vitalité (Regional Health Authority A), was created at the same time as Horizon through an act of the legislature. Vitalité resulted from the merger of the Regional Health Authorities 1B, 4, 5, and 6.

FacilicorpNB is a non-clinical shared services agency providing services to the Province of New Brunswick.

The purchase and sale of materials and services were measured at exchange amounts which are also market prices, on normal terms of purchase and sale.

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Transactions during the year:		
Supply of services to		
FacilicorpNB	70,848	9,344
Vitalité	258,033	214,291
Other	1,479,931	1,272,063
Donations received from		
Foundations	8,470,199	4,860,428
Auxiliaries	109,804	99,019
Donations paid to (for specific purposes)		
Foundations	1,000,000	3,307,500
Purchased services from		
Fundy Linen Service (Division of FacilicorpNB)	6,036,406	6,039,552
FacilicorpNB	2,378,643	2,116,099
Vitalité	599,467	494,530
Balances at end of year:		
Accounts receivable from related parties (note 6)		
Vitalité	158,145	94,002
Other related parties	6,776,466	3,283,659
Accounts payable to related parties		
Vitalité	32,473	37,307
Other related parties	2,616,473	2,257,822

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**Horizon Health Network****NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2012****16. COMMITMENTS**

Horizon is committed to minimum annual lease payments under various operating leases as follows:

	\$
2013	11,949,872
2014	7,942,026
2015	4,395,315
2016	3,046,527
2017	2,330,166

Horizon has an agreement with the University of New Brunswick - Saint John (UNBSJ) to supply steam sufficient to meet the campus' needs to a maximum of 15,000 lbs per hour. Horizon is not liable for any loss, damage, cost or expense incurred by UNBSJ as a result of Horizon's failure to supply steam unless the failure is caused by negligence or willful misconduct of Horizon. Horizon will be reimbursed based on actual consumption at rates agreed upon by both parties. The agreement expires March 31, 2025.

Horizon enters into other contractual arrangements on a regular basis in its normal course of business.

**17. EXPENSES BY OBJECT**

	2012	2011
	\$	\$
Salaries	774,185,578	761,437,561
Benefits	86,868,281	83,076,115
Medical and surgical supplies	80,815,290	80,553,349
Drugs	47,320,133	46,966,039
Other - Services	100,629,564	106,775,509
Other - Materials and Supplies	43,847,233	41,810,161
Amortization	34,031,787	36,562,284
	<hr/> 1,167,697,866	<hr/> 1,157,181,018

**NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2012**

**18. RESTRICTED BOARD RESERVES**

The excess of Board generated revenues over Board sponsored expenses is internally restricted by the Board of Directors. This internally restricted amount is available for purposes specifically approved by the Board of Directors.

**19. CONTINGENCIES**

The nature of Horizon'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 that Horizon 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 Horizon's financial position.

Horizon is covered under the Health Services Liability Protection Plan which is underwritten by the Province of New Brunswick and administered by HIROC.

**20. COMPARATIVE FIGURES**

Certain 2011 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2012.