

FINANCIAL STATEMENTS

HORIZON HEALTH NETWORK

(Regional Health Authority B)

March 31, 2014

**KPMG LLP**

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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, 2014, the statements of operations, change in accumulated surplus, 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, 2014, and its remeasurement gains and losses, its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

June 9, 2014
Fredericton, Canada

HORIZON HEALTH NETWORK

**Financial Statements
Year Ended March 31, 2014**

Statement of Financial Position

Statement of Operations

Statement of Change in Accumulated Surplus

Statement of Change in Net Debt

Statement of Cash Flows

Notes to Financial Statements

Horizon Health Network**STATEMENT OF FINANCIAL POSITION**

As at March 31

	2014	2013
	\$	\$
Financial assets		
Cash and cash equivalents	4,292,433	6,517,248
Accounts receivable (note 7)	96,613,416	91,577,339
Investments and restricted cash (note 8)	25,086,389	23,101,165
	<u>125,992,238</u>	<u>121,195,752</u>
Liabilities		
Accounts payable and accrued liabilities (note 9)	139,075,099	139,448,390
Designated funds (note 10)	6,091,596	6,465,887
Employee future benefits (note 11)	54,236,600	52,300,600
Deferred revenue - capital grants (note 12)	7,146,701	2,257,767
	<u>206,549,996</u>	<u>200,472,644</u>
Net debt	<u>(80,557,758)</u>	<u>(79,276,892)</u>
Non-financial assets		
Tangible capital assets (note 13)	390,499,774	398,290,729
Inventory (note 14)	8,779,750	9,053,390
Prepaid expenses	2,037,609	2,572,449
	<u>401,317,133</u>	<u>409,916,568</u>
Accumulated surplus	<u>320,759,375</u>	<u>330,639,676</u>

*Commitments (note 17)**Contingencies (note 19)**See accompanying notes to financial statements**Approved by the Board:*_____
*Director*_____
Director

Horizon Health Network**STATEMENT OF OPERATIONS**

Year ended March 31	Budget 2014 \$	Actual 2014 \$	Actual 2013 \$
	(Note 4)		
<u>Revenues</u>			
Department of Health	1,062,546,494	1,069,938,725	1,056,853,414
Government of Canada	17,289,397	15,849,409	15,699,833
Patient recoveries	37,595,840	36,524,738	36,989,889
Other recoveries and sales	22,178,077	25,808,719	23,584,233
	<u>1,139,609,808</u>	<u>1,148,121,591</u>	<u>1,133,127,369</u>
<u>Expenses</u>			
Nursing inpatient services	338,950,648	335,126,838	332,685,652
Non-inpatient services	133,400,025	135,992,899	134,872,773
Diagnostic and therapeutic services	188,073,355	189,348,232	186,090,885
Community services	103,138,746	102,041,236	100,884,284
Medicare	167,327,504	164,297,175	168,858,618
Research and education	16,746,605	15,001,620	14,560,718
Support services	156,163,928	169,228,374	156,633,306
Administrative services	23,682,566	22,742,182	23,320,753
Ancillary services	12,126,431	10,386,262	12,759,683
	<u>1,139,609,808</u>	<u>1,144,164,818</u>	<u>1,130,666,672</u>
Surplus from operations before undernoted	-	3,956,773	2,460,697
Capital grant funding (note 12)	18,924,595	20,156,794	22,020,633
Amortization of tangible capital assets	(33,384,615)	(32,851,639)	(33,863,853)
Sick pay obligation adjustment (note 11)	(1,800,701)	(2,442,200)	(2,323,100)
	<u>(16,260,721)</u>	<u>(11,180,272)</u>	<u>(11,705,623)</u>

See accompanying notes to financial statements

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

Year ended March 31

	Budget 2014 \$	Actual 2014 \$	Actual 2013 \$
	(Note 4)		
Accumulated surplus - beginning of year		330,639,676	341,663,711
Annual surplus (deficit)	(16,260,721)	(11,180,272)	(11,705,623)
Endowments and restricted funds expenditures	-	12,397	72,456
Remeasurement gains and losses	-	1,287,574	609,132
		(9,880,301)	(11,024,035)
Accumulated surplus - end of year		320,759,375	330,639,676

Comprised of the following:

Unrestricted		(63,374,493)	(65,108,327)
Investment in capital assets		383,353,073	394,979,605
Endowments and restricted funds		780,795	768,398
Accumulated surplus - end of year		320,759,375	330,639,676

See accompanying notes to financial statements

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

Year ended March 31

	Budget 2014 \$	Actual 2014 \$	Actual 2013 \$
	(Note 4)		
Net debt, beginning of year, as restated	-	(79,276,892)	(81,425,371)
Changes in year			
Annual surplus (deficit)	(16,260,721)	(11,180,272)	(11,705,623)
Remeasurement gains and losses	-	1,287,574	609,132
Acquisition of tangible capital assets	-	(25,158,129)	(21,253,317)
Amortization of tangible capital assets	-	32,851,639	33,863,853
Loss on disposal of tangible capital assets	-	28,856	-
Proceeds on disposal of tangible capital assets	-	68,589	-
Net change in inventory - decrease (increase)	-	273,640	598,445
Net change in prepaid expenses - decrease (increase)	-	534,840	(36,467)
Endowments and restricted funds expenditures	-	12,397	72,456
Decrease (increase) in net debt		(1,280,866)	2,148,479
Net debt - end of year		(80,557,758)	(79,276,892)

See accompanying notes to the financial statements

Horizon Health Network**STATEMENT OF CASH FLOWS**

Year ended March 31

	2014	2013
	\$	\$
Cash and cash equivalents provided by (used in):		
Operating activities		
Surplus (deficit) for the year	(11,180,272)	(11,705,623)
Add (deduct) items not requiring an outlay of cash		
Amortization of tangible capital assets	32,851,639	33,863,853
Increase in employee future benefits	1,936,000	2,300,800
Loss (gain) on disposal of tangible capital assets	28,856	-
Gain on disposal of investments	(210,538)	255,360
	<u>23,425,685</u>	<u>24,714,390</u>
Net change in non-cash working capital balances related to operations (note 15)	(8,565,518)	(13,023,636)
	<u>14,860,167</u>	<u>11,690,754</u>
Capital transactions		
Purchase of tangible capital assets	(16,678,856)	(17,442,076)
Proceeds on disposal of tangible capital assets	68,589	-
	<u>(16,610,267)</u>	<u>(17,442,076)</u>
Financing activities		
Endowment expenditures	12,397	72,456
	<u>12,397</u>	<u>72,456</u>
Investing activities		
Proceeds on disposal of investments	953,466	2,333,452
Purchase of investments	(1,440,578)	(4,246,808)
	<u>(487,112)</u>	<u>(1,913,356)</u>
Cash and cash equivalents decrease during the year	(2,224,815)	(7,592,222)
Cash and cash equivalents, beginning of year	6,517,248	14,109,470
	<u>4,292,433</u>	<u>6,517,248</u>

*See (note 15) for supplemental cash flow information**See accompanying notes to financial statements*

Horizon Health Network**NOTES TO FINANCIAL STATEMENTS**

Year ended March 31, 2014**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 Surplus 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 Surplus 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 Surplus 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.

Capital grants that are provided without any stipulations are recognized as revenue when the grant is received.

Provision of service or sale of goods is 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.

Horizon Health Network

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2014

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 instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments and restricted cash at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of change in accumulated surplus until they are realized when they are transferred to the Statement of Operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations and any unrealized gain is adjusted through the Statement of Change in Accumulated Surplus.

When the asset is sold, the unrealized gains and losses previously recognized in the Statement of Change in Accumulated Surplus are reversed and recognized in the Statement of Operations.

PSAB requires an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 - Observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Horizon Health Network**NOTES TO FINANCIAL STATEMENTS**

Year ended March 31, 2014

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

All financial instruments measured at fair value are included in Level 1.

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.

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.

Horizon Health Network**NOTES TO FINANCIAL STATEMENTS**

Year ended March 31, 2014***Tangible Capital Assets***

Tangible capital assets are assets owned by Horizon which have useful lives greater than one year and are recorded at gross cost.

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%

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. Net realizable value is determined to be replacement cost.

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, employee future benefits and useful lives of tangible capital assets. 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

Year ended March 31, 2014

3. FUTURE ADOPTION OF ACCOUNTING POLICY

Horizon management is currently in the process of gathering information for the adoption of the new accounting standard *PS 6260 - Liability for Contaminated Sites*, which is applicable to year-ends beginning on or after April 1, 2014. This new standard requires that a liability be recognized in the financial statements when:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the government entity is directly responsible or accepts responsibility;
- it is expected that future benefits would be given up;
- and a reasonable estimate of the amount can be made.

Despite the fact that Horizon has hazardous materials stored and used in Horizon Health Network facilities, it is not anticipated that any material amounts will need to be recorded in our March 31, 2015 financial statements.

4. BUDGET

The 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.

5. 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.

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2014

6. FINANCIAL INSTRUMENTS

Credit Risk

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

Liquidity Risk

Liquidity risk is the risk that Horizon will be unable to fulfill its obligations on a timely basis or at a reasonable cost. Horizon manages its liquidity by monitoring its operating requirements. Horizon prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Market Risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates or interest rates will affect Horizon's income or the value of its holdings or financial instruments.

Foreign Exchange Risk

Horizon is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, Horizon holds investments denominated in U.S. dollars. Horizon does not currently enter into forward contracts to mitigate this risk. Horizon mitigates this risk through diverse investment holdings.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Fixed income securities expose Horizon to cash flow interest rate risk. Horizon mitigates this risk through diverse investment holdings.

Horizon Health Network**NOTES TO FINANCIAL STATEMENTS**

Year ended March 31, 2014**7. ACCOUNTS RECEIVABLE**

	2014	2013
	\$	\$
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<u>Province of New Brunswick</u>		
Medicare	28,125,780	17,397,722
Equipment grants	6,486,176	3,789,849
Provincial plan	12,968,059	22,606,506
Budget amendments	11,788,603	11,197,141
Estimated year-end adjustments	17,777,026	11,676,957
Other	462,029	698,159
	<hr/>	<hr/>
	77,607,673	67,366,334
	<hr/>	
Patient, net of allowance for doubtful accounts of \$3,754,983 - (2013 - \$2,848,359)	11,418,523	11,839,478
Other related parties (note 16)	1,584,699	5,013,678
HST	2,885,836	3,467,085
Other	3,116,685	3,890,764
	<hr/>	<hr/>
	96,613,416	91,577,339
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8. INVESTMENTS AND RESTRICTED CASH

	2014	2013
	\$	\$
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Fixed income securities	8,821,234	7,722,714
Canadian denominated stocks	3,441,489	2,972,626
U.S. denominated stocks	6,291,881	5,815,820
Amounts held in cash	6,531,785	6,590,005
	<hr/>	<hr/>
	25,086,389	23,101,165
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The amounts held in cash are restricted for designated funds (note 10).

Horizon Health Network**NOTES TO FINANCIAL STATEMENTS**

Year ended March 31, 2014**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2014	2013
	\$	\$
Accounts payable and other accrued liabilities	49,096,775	52,829,000
Salaries and benefits	43,117,127	40,903,410
Accrued vacation pay	46,861,197	45,715,980
	<u>139,075,099</u>	<u>139,448,390</u>

10. DESIGNATED FUNDS

	2014	2013
	\$	\$
Patient and other funds	1,722,317	1,614,698
Educational funds	1,163,327	1,257,032
Research funds	3,205,952	3,594,157
	<u>6,091,596</u>	<u>6,465,887</u>

11. 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.

	2014	2013
	\$	\$
Total actuarial value, beginning of year	1,506,600	1,528,200
Change during the year	(402,866)	68,784
Less: payments made during the year	<u>(89,434)</u>	<u>(90,384)</u>
Total actuarial value, end of year	<u>1,014,300</u>	<u>1,506,600</u>

Horizon Health Network**NOTES TO FINANCIAL STATEMENTS**

Year ended March 31, 2014**(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.

	2014	2013
	\$	\$
Total actuarial value, beginning of year	327,100	327,800
Change during the year	(816)	12,003
Less: payments made during the year	<u>(13,084)</u>	<u>(12,703)</u>
Total actuarial value, end of year	<u>313,200</u>	<u>327,100</u>
Total pension related employee future benefits	<u>1,327,500</u>	<u>1,833,700</u>

(C) General Pensions

Employees of Horizon Health Network were covered by the Public Service Pension Plans of the Province of New Brunswick. In fiscal 2014, the defined benefit pension plans were converted to the Public Sector Shared Risk Plan. The plans are multi-employer plans under which contributions are made by both Horizon and the employees. For the fiscal year-ended March 31, 2014, Horizon expensed contributions of \$34,151,835 (2013 - \$30,440,796) under the terms of the plans. Horizon has no direct liability or entitlement to any unfunded liability or surplus in the plan 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 the 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	3.85% per annum
Salary growth rate:	2.5% per annum
Retirement age:	age 60

Horizon Health Network**NOTES TO FINANCIAL STATEMENTS**

Year ended March 31, 2014

Based on actuarial valuation of the liability, at March 31, 2014, the results are:

	2014	2013
	\$	\$
Accrued sick pay obligation, beginning of year	50,466,900	48,143,800
Current service cost	6,322,700	6,537,200
Interest on obligation	1,761,600	1,723,800
Amortization of unrecognized balances experience	74,700	254,900
Benefit payments	(5,716,800)	(6,192,800)
	<u>2,442,200</u>	<u>2,323,100</u>
Accrued sick pay obligation, end of year	<u>52,909,100</u>	<u>50,466,900</u>

(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. During the year the Province stopped the accumulation of retirement hours for non bargaining employees. Employees with less than five years seniority must take out these funds now, while other non bargaining employees have the option of withdrawing funds now or deferring until retirement.

Total future employee benefit obligations at March 31	54,236,600	52,300,600
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Horizon Health Network**NOTES TO FINANCIAL STATEMENTS**

Year ended March 31, 2014**12. CAPITAL GRANTS**

	2014	2013
	\$	\$
Capital grants received and recorded as revenue during the year are as follows:		
Deferred revenue capital grants, beginning of year	2,257,767	4,078,440
Capital grants - Province of New Brunswick	22,116,840	13,512,115
Capital grants - Foundations, Auxiliaries, others	2,928,888	6,687,845
Less: deferred revenue capital grants, end of year	<u>(7,146,701)</u>	<u>(2,257,767)</u>
Capital grant revenue for the year	<u>20,156,794</u>	<u>22,020,633</u>

Capital grants, related to capital assets, represent the amount of donations and grants received for which no stipulations exist. Revenue is recognized as the equipment and operations are brought into service.

13. TANGIBLE CAPITAL ASSETS

	Net Book Value			
	Cost	Accumulated Amortization	2014	2013
	\$	\$	\$	\$
Land	4,361,125	-	4,361,125	4,361,125
Land improvements	12,509,201	7,064,901	5,444,300	5,879,138
Leasehold improvements	1,185,277	1,051,563	133,714	181,988
Buildings	546,718,899	292,209,145	254,509,754	268,030,756
Equipment	484,657,610	365,753,430	118,904,180	117,579,955
Construction in progress	7,146,701	-	7,146,701	2,257,767
	<u>1,056,578,813</u>	<u>666,079,039</u>	<u>390,499,774</u>	<u>398,290,729</u>

Horizon Health Network**NOTES TO FINANCIAL STATEMENTS**

Year ended March 31, 2014**14. INVENTORY**

	2014	2013
	\$	\$
Drugs	3,319,258	3,598,159
Medical, surgical, general supplies	5,460,492	5,455,231
	8,779,750	9,053,390

15. STATEMENT OF CASH FLOWS

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

	2014	2013
	\$	\$
Decrease (increase) in		
Accounts receivable	(5,036,077)	(32,213,992)
Inventory	273,640	598,445
Prepaid expenses	534,840	(36,467)
	(4,227,597)	(31,652,014)
Increase (decrease) in		
Accounts payable and accrued liabilities	(373,291)	23,967,165
Deferred revenues - capital grants	4,888,934	(1,820,673)
Designated funds	(374,291)	293,124
	4,141,352	22,439,616
Non-cash acquisition of tangible capital assets and deferred revenue	(6,302,049)	(2,765,995)
Tangible capital asset additions not yet paid at year-end	(2,177,224)	(1,045,243)
	(8,565,518)	(13,023,636)

Horizon Health Network**NOTES TO FINANCIAL STATEMENTS**

Year ended March 31, 2014**16. 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. During the year no further services were transferred to FacilicorpNB.

NB Power and WorkSafeNB are provincial Crown Corporations providing services to Horizon.

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.

	2014	2013
	\$	\$
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Transactions during the year:		
Supply of services to		
FacilicorpNB	375,048	2,107,270
Vitalité	392,451	369,691
Other	699,990	947,884
Donations received from		
Foundations	2,565,726	6,479,084
Auxiliaries	614,411	208,761
Donations paid to (for specific purposes)		
Foundations	Nil	852,500
Purchased services from		
FacilicorpNB	3,673,212	4,997,014
Vitalité	381,758	438,685
WorkSafeNB	8,889,041	7,516,797
NB Power	8,096,183	7,873,666
Balances at end of year:		
Accounts receivable from related parties (note 7)		
Vitalité	89,771	126,634
Other related parties	1,494,928	4,887,044
Accounts payable to related parties		
Vitalité	63,314	32,473
FacilicorpNB	387,023	1,071,825
NB Power	432,543	465,927
WorkSafeNB	1,262,160	761,473
Other related parties	18,744	1,262,142

Horizon Health Network

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2014

17. COMMITMENTS

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

	\$
2015	9,523,838
2016	6,650,669
2017	5,297,197
2018	4,177,409
2019	1,948,011

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 has an agreement with GE Healthcare for service support requirements of diagnostic imaging equipment in the amount of \$21,107,498. The five-year service support contract commenced on April 1, 2012. As at March 31, 2014 the outstanding commitment is \$13,825,096. Annual payments under balance of agreement are as follows:

	\$
2015	4,498,620
2016	4,607,550
2017	4,718,926

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

Horizon Health Network**NOTES TO FINANCIAL STATEMENTS**

Year ended March 31, 2014**18. EXPENSES BY OBJECT**

	2014	2013
	\$	\$
Salaries	774,465,326	776,518,603
Benefits	110,126,223	94,520,190
Medical and surgical supplies	82,495,800	81,291,691
Drugs	43,494,623	43,820,076
Other - services	93,298,110	92,969,943
Other - materials and supplies	42,726,936	43,869,269
Amortization	32,851,639	33,863,853
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	1,179,458,657	1,166,853,625

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, 2014, 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 2013 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2014.