

Financial Statements of

HORIZON HEALTH NETWORK

(Regional Health Authority B)

Year ended March 31, 2011



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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, which comprise the statement of financial position as at March 31, 2011, the statements of operations and deficit, 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, 2011, 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 14, 2011
Fredericton, Canada

HORIZON HEALTH NETWORK

Financial Statements

Year ended March 31, 2011

Financial Statements

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Horizon Health Network**STATEMENT OF FINANCIAL POSITION**

As at	March 31 2011 \$	March 31 2010 \$	April 1 2009 \$
Financial assets			
Cash and cash equivalents	19,087,004	7,977,389	2,365,346
Accounts receivable (note 7)	55,854,981	71,741,563	85,124,831
Contributions receivable (note 8)	-	701,967	1,964,549
Investments and restricted cash (note 9)	20,648,702	19,551,860	16,521,250
	<u>95,590,687</u>	<u>99,972,779</u>	<u>105,975,976</u>
Liabilities			
Short-term borrowings (note 10)	-	11,040,051	8,471,366
Accounts payable and accrued liabilities (note 11)	128,091,647	122,940,835	132,260,359
Designated funds (note 12)	6,192,432	5,854,539	5,787,483
Long-term debt (note 13)	2,890	845,106	2,112,992
Employee future benefits (note 14)	48,626,000	47,062,100	45,610,800
Capital funding (note 15)	417,794,636	419,178,863	404,252,923
	<u>600,707,605</u>	<u>606,921,494</u>	<u>598,495,923</u>
Net debt	<u>(505,116,918)</u>	<u>(506,948,715)</u>	<u>(492,519,947)</u>
Non-financial assets			
Tangible capital assets (note 16)	422,692,585	425,304,245	411,828,864
Inventory (note 17)	9,999,007	10,349,242	9,649,322
Prepaid expenses	5,104,165	5,186,241	5,511,853
	<u>437,795,757</u>	<u>440,839,728</u>	<u>426,990,039</u>
Accumulated deficit	<u>(67,321,161)</u>	<u>(66,108,987)</u>	<u>(65,529,908)</u>

Commitments (note 20)
Contingencies (note 22)
See accompanying notes

Approved by the Board:

Director

Director

Horizon Health Network**STATEMENT OF OPERATIONS AND DEFICIT**

Year ended March 31	Budget 2011 \$	Actual 2011 \$	Actual 2010 \$
	(Unaudited)		
<u>Revenues</u>			
Department of Health	1,003,470,401	1,045,354,431	1,009,612,156
Government of Canada	15,267,611	15,414,841	16,453,303
Patient recoveries	35,618,301	31,216,044	30,196,759
Other recoveries and sales	8,114,901	14,721,644	15,629,202
Board generated	12,793,838	13,438,593	12,952,759
Amortization of capital funding		35,211,280	37,840,186
	1,075,265,052	1,155,356,833	1,122,684,365
<u>Expenses</u>			
Nursing inpatient services	326,349,245	329,667,466	311,168,484
Non-inpatient services	121,540,658	122,771,449	112,329,386
Diagnostic and therapeutic services	189,824,713	191,326,061	184,910,952
Community services	97,645,919	96,961,157	98,388,138
Medicare	125,677,016	157,943,181	146,124,751
Research and education	14,035,444	13,907,087	13,156,226
Support services	177,160,669	169,847,313	180,830,468
Administrative services	27,130,512	23,633,131	23,569,376
Ancilliary services	200,000	1,797,579	3,313,859
Board sponsored	12,785,928	12,764,310	11,891,876
Amortization of tangible capital assets		36,562,284	39,388,433
	1,092,350,104	1,157,181,018	1,125,071,949
Deficit from operations before undernoted	(17,085,052)	(1,824,185)	(2,387,584)
Adjustment of prior year-end settlements	-	(259,040)	(159,175)
Deficit for the year	(17,085,052)	(2,083,225)	(2,546,759)

See accompanying notes

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

Year ended March 31

	Budget 2011 \$	Actual 2011 \$	Actual 2010 \$
	(Unaudited)		
Accumulated deficit - beginning of year	-	(66,108,987)	(65,529,908)
Annual deficit	(17,085,052)	(2,083,225)	(2,546,759)
Endowments and restricted funds expenditures	-	5,132	(17,988)
Other comprehensive income	-	865,919	1,985,668
		(1,212,174)	(579,079)
Accumulated deficit - end of year		(67,321,161)	(66,108,987)

Comprised of the following:

Unrestricted		(87,792,725)	(86,122,401)
Investment in capital assets		4,895,059	5,982,242
Endowments and restricted funds		784,369	779,237
Board equity (note 21)		14,792,136	13,251,935
Accumulated deficit - end of year		(67,321,161)	(66,108,987)

See accompanying notes

Horizon Health Network**STATEMENT OF CASH FLOWS**

Year ended March 31

	2011	2010
	\$	\$
Cash and cash equivalents provided by (used in):		
Operating activities		
Deficit for the year	(2,083,225)	(2,546,759)
Add (deduct) items not requiring an outlay of cash		
Amortization of tangible capital assets	36,562,284	39,388,433
Amortization of capital funding	(35,211,280)	(37,840,186)
Increase in employee future benefits	1,563,900	2,451,439
Loss (gain) on disposal of tangible capital assets	19,786	(80,090)
Forgiveness of accrued interest on short-term borrowings	-	537,274
Gain on disposal of investments	(25,114)	(40,459)
	<u>826,351</u>	<u>1,869,652</u>
Net change in non-cash working capital balances related to operations (note 18)	<u>19,281,729</u>	<u>2,005,556</u>
	<u>20,108,080</u>	<u>3,875,208</u>
Capital transactions		
Purchase of tangible capital assets	(11,658,961)	(17,377,429)
Proceeds on disposal of tangible capital assets	3,300	214,734
Increase in capital funding	14,038,173	17,992,534
	<u>2,382,512</u>	<u>829,839</u>
Financing activities		
Endowment expenditures	5,132	(17,988)
Increase (decrease) in short term borrowing	(11,040,051)	2,031,411
Repayment of long term debt	(842,216)	(1,267,887)
Repayment of other liabilities	-	(96,639)
Decrease in contributions receivable	701,967	1,262,582
	<u>(11,175,168)</u>	<u>1,911,479</u>
Investing activities		
Proceeds on disposal of investments	280,896	414,298
Purchase of investments	(486,705)	(1,418,781)
	<u>(205,809)</u>	<u>(1,004,483)</u>
Cash and cash equivalents increase during the year	11,109,615	5,612,043
Cash and cash equivalents, beginning of year	7,977,389	2,365,346
	<u>19,087,004</u>	<u>7,977,389</u>

*See note 18 for supplemental cash flow information**See accompanying notes*

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

Year ended March 31

	Budget 2011 \$	Actual 2011 \$	Actual 2010 \$
	(Unaudited)		
Net debt - beginning of year	-	(506,948,715)	(492,519,947)
Changes in year			
Annual deficit	(17,085,052)	(2,083,225)	(2,546,759)
Other comprehensive income	-	865,919	1,985,668
Acquisition of tangible capital assets	-	(33,973,710)	(52,998,458)
Amortization of tangible capital assets	-	36,562,284	39,388,433
Loss (gain) on disposal of tangible capital assets	-	19,786	(80,090)
Proceeds on disposal of tangible capital assets	-	3,300	214,734
Net change in supplies inventory - decrease (increase)	-	350,235	(699,920)
Net change in prepaid expenses - decrease (increase)	-	82,076	325,613
Endowments and restricted funds expenditures	-	5,132	(17,989)
(Increase) decrease in net debt		1,831,797	(14,428,768)
Net debt - end of year		(505,116,918)	(506,948,715)

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2011

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 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 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 Deficit when the transfer is authorized, and the eligibility criteria 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.

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2011

Expense recognition

Expenses are recorded on the accrual basis as they are incurred and 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 the Horizon's designation for such instruments. Settlement date accounting is used.

Classification

Cash and cash equivalents	Held-for-trading
Accounts receivable	Loans and receivables
Contributions receivable	Loans and receivables
Investments and restricted cash	Available-for-sale
Short term borrowings	Other liabilities
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

Year ended March 31, 2011

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.

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2011

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.

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%

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

Year ended March 31, 2011

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 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.

3. ADOPTION OF NEW ACCOUNTING STANDARD

Effective April 1, 2010, Horizon adopted the Canadian Public Sector Accounting standards (PSAB) applicable for other government organizations. These amended standards were retrospectively adopted and therefore, 2010 comparative figures have been restated. Key adjustments resulting from the adoption of these accounting standards are as follows:

Sick pay benefits that accumulate but do not vest are considered obligations. Future utilization of these benefits is considered when measuring the liability recognized by Horizon. The 2010 financial statements have been adjusted to reflect the liability at April 1, 2009, record the expense incurred during 2010 and the estimated liability at the year ended March 31, 2010.

The Statement of Financial Position has been restated to reflect the presentation required under the PSAB reporting model. The Statement of Financial Position under PSAB highlights four key figures that describe the financial position of a public sector organization:

- a) Cash resources (financial assets).
- b) The net debt position as calculated as the difference between financial assets and liabilities. Net debt represents the future revenues required to pay for past transactions.
- c) The non-financial assets that are normally held for service provision such as tangible capital assets.
- d) The accumulated deficit.

The impact of these restatements on the 2010 figures is as follows:

Horizon Health Network**NOTES TO FINANCIAL STATEMENTS**

Year ended March 31, 2011

Statement of Financial Position

	March 31 2010 \$
Current assets, as previously reported	97,346,338
Add: reclassification of investments and restricted cash	18,161,924
Less: reclassification of inventory to non-financial assets	(10,349,242)
Less: reclassification of prepaid expenses to non-financial assets	(5,186,241)
Financial assets under PSAB reporting model	99,972,779
Current liabilities, as previously reported	140,632,424
Add: reclassification of employee future benefits	1,215,400
Add: reclassification of long-term portion of debt	48,107
Add: reclassification of deferred contributions for capital assets	419,178,863
Add: adjustment for recognition of liability for sick pay	45,846,700
Financial liabilities under PSAB reporting model	606,921,494
Non-financial assets, as previously reported	0
Add: reclassification of capital assets	425,304,245
Add: reclassification of inventory	10,349,242
Add: reclassification of prepaid expenses	5,186,241
Non-financial assets under PSAB reporting model	440,839,728
Net assets (deficiency), as previously reported	(20,262,287)
Add: adjustment for recognition of liability for sick pay	(45,846,700)
Accumulated deficit as restated	(66,108,987)

Horizon Health Network

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2011

Statement of Operations (2010)

Deficit for the year as previously stated	1,100,659
Add: adjustment for recognition of liability for sick pay	1,446,100
Deficit for the year as restated	2,546,759

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2011

4. 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.

Budgeted amounts have not been adjusted for the transfer of Clinical Engineering to FacilicorpNB (note 19).

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.

6. 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.

Horizon has approximately 65% (2010-73%) of its receivables with the Province of New Brunswick.

Fair value

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

The carrying value of the long-term debt approximates fair value. Investments and restricted cash are carried at fair value.

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2011**7. ACCOUNTS RECEIVABLE**

	2011	2010
	\$	\$
<hr/>		
<u>Province of New Brunswick</u>		
Medicare	17,457,481	26,611,058
Equipment grants	3,684,126	3,316,481
Provincial plan	275,684	7,131,247
Budget amendments	9,876,473	13,384,441
Estimated year end adjustments	3,112,797	733,980
Other	1,739,650	1,149,327
	<hr/> 36,146,211	<hr/> 52,326,534
Patient, net of allowance for doubtful accounts of \$2,436,166 - (2010 - \$2,124,502)	9,424,575	9,984,937
Other related entities (note 19)	3,533,350	1,873,381
HST	2,988,591	3,323,510
Other	3,762,254	4,233,201
	<hr/> 55,854,981	<hr/> 71,741,563
	<hr/>	

8. CONTRIBUTIONS RECEIVABLE

	2011	2010
	\$	\$
Funding commitment from Veterans Affairs Canada, in fiscal year 2002 of \$5,143,942, for the construction of a building for the care of veterans. This amount is to be funded over a period of eight (8) years via an increase in the operating per diem.	-	264,180
Funding commitment from Veterans Affairs Canada, in fiscal year 2003 of \$3,534,251, for the construction of a building for the care of veterans. This amount is to be funded over a period of eight (8) years via an increase in the operating per diem.	-	437,787
	<hr/> -	<hr/> 701,967
	<hr/>	

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2011**9. INVESTMENTS AND RESTRICTED CASH**

	2011	2010
	\$	\$
Fixed income securities	6,506,188	6,841,529
Canadian denominated stocks	3,195,388	2,774,929
U.S. denominated stocks	4,913,146	3,945,690
Amounts held in cash	6,033,980	5,989,712
	20,648,702	19,551,860

The amounts held in cash are restricted for designated funds (note 12).

10. SHORT-TERM BORROWING

	2011	2010
	\$	\$
Note payable with the Province of New Brunswick due and payable on April 26, 2010, bearing interest at 0.25%	-	1,500,051
Note payable with the Province of New Brunswick due and payable on April 1, 2010, bearing interest at 0.20%	-	4,000,000
Note payable with the Province of New Brunswick due and payable on April 22, 2010, bearing interest at 0.24%	-	5,540,000
	-	11,040,051

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2011

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2011	2010
	\$	\$
Accounts payable and other accrued liabilities	51,640,251	43,472,127
Salaries and benefits	34,133,693	38,882,724
Accrued vacation pay	42,317,703	40,585,984
	128,091,647	122,940,835

12. DESIGNATED FUNDS

	2011	2010
	\$	\$
Patient and other funds	1,176,355	1,184,921
Educational funds	1,230,098	806,052
Research funds	3,785,979	3,863,566
	6,192,432	5,854,539

Horizon is bound to follow the directions of the beneficial holders of these accounts, and as such these funds are not available for operations.

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2011**13. LONG TERM DEBT**

	2011	2010
	\$	\$
Term loan with Province of New Brunswick due April 2011 with a fixed rate of 5.4%, repayable in monthly installments of \$45,419 including principal and interest. Original loan was for 8 years and was covered by an increase in operational funding from Veterans Affairs Canada. The loan is unsecured.	-	572,266
Term loan with Province of New Brunswick due July 2010 with a fixed rate of 5.76%, repayable in monthly installments of \$66,830 including principal and interest. The loan is unsecured.	-	264,180
Term lease due September 2011, with a fixed rate of 8.99% payable in monthly installments of \$524 including principal and interest and is unsecured.	2,890	8,660
	<hr/> 2,890	<hr/> 845,106
Principal repayments in the next year are due as follows:	\$	
2012	2,890	

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2011**14. EMPLOYEE FUTURE BENEFITS****(A) Former CEO's Pension**

The 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.

	2011	2010
	\$	\$
Total actuarial value, beginning of year	1,041,500	1,048,500
Change during the year	236,635	81,593
Less: payments made during the year	<u>(82,135)</u>	<u>(88,593)</u>
Total actuarial value, end of year	<u><u>1,196,000</u></u>	<u><u>1,041,500</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.

	2011	2010
	\$	\$
Total actuarial value, beginning of year	173,900	161,700
Change during the year	59,615	20,246
Less: payments made during the year	<u>(8,915)</u>	<u>(8,046)</u>
Total actuarial value, end of year	<u><u>224,600</u></u>	<u><u>173,900</u></u>
Total pension related employee future benefits	<u><u>1,420,600</u></u>	<u><u>1,215,400</u></u>

(C) General Pensions

Current employees of Horizon are covered by the Public Service Pension Plans of the Province of New Brunswick. The Public Service Pension Plans are defined benefit multi-employer plans under which contributions are made by both Horizon and the employees. For the fiscal year ended March 31, 2011, Horizon expensed contributions of \$23,232,399 (2010 - \$24,184,852) 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.

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2011**(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:	4.53% 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, 2011, the results are:

	2011	2010
	\$	\$
Accrued sick pay obligation at April 1	45,846,700	44,400,600
Current service cost	5,552,600	5,390,900
Interest on obligation	2,185,600	2,119,600
Benefit payments	(6,379,500)	(6,064,400)
Accrued sick pay obligation at March 31	47,205,400	45,846,700

(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.

Total future employee benefit obligations at March 31	48,626,000	47,062,100
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NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2011**15. CAPITAL FUNDING**

	2011	2010
	\$	\$
The changes in the capital funding balances during the year are as follows:		
Balance, beginning of year	419,178,863	404,252,923
Additional contributions received	33,831,553	52,788,010
Disposal of assets - net	(4,500)	(21,884)
Less: amortized to revenue	(35,211,280)	(37,840,186)
	<u>417,794,636</u>	<u>419,178,863</u>

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.

16. TANGIBLE CAPITAL ASSETS

			Net Book Value	
	Cost	Acc. Amort.	2011	2010
	\$	\$	\$	\$
Land	4,361,125		4,361,125	3,918,473
Land improvements	12,509,202	5,760,390	6,748,812	6,280,373
Leasehold improvements	1,185,277	878,470	306,807	369,301
Buildings	500,427,001	252,497,101	247,929,900	245,013,818
Equipment	431,721,375	313,780,444	117,940,931	126,807,962
Construction in progress	45,405,010		45,405,010	42,914,318
	<u>995,608,990</u>	<u>572,916,405</u>	<u>422,692,585</u>	<u>425,304,245</u>

The current year's amortization expense is \$36,562,284.

As at March 31, 2010, the cost of tangible capital assets was \$947,913,861 and accumulated amortization was \$522,609,616.

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2011

17. INVENTORY

	2011	2010
	\$	\$
Drugs	4,073,647	3,859,306
Medical, surgical, general supplies	5,925,360	6,489,936
	9,999,007	10,349,242

18. STATEMENT OF CASH FLOWS

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

	2011	2010
	\$	\$
Decrease (increase) in		
Accounts receivable	15,886,582	13,383,271
Inventory	350,235	(699,919)
Prepaid expenses	82,075	325,611
	16,318,892	13,008,963
Increase (decrease) in		
Accounts payable and accrued liabilities	5,150,813	(10,223,026)
Designated funds	337,893	67,056
	5,488,706	(10,155,970)
Tangible capital asset additions not yet paid at year-end	(2,525,869)	(847,437)
	19,281,729	2,005,556

Supplemental information

During the year, Horizon received and paid the following:

	2011	2010
	\$	\$
Interest received	414,644	157,074
Interest paid	62,592	116,920

Non-cash contributions of tangible capital assets and capital funding are \$19,788,800.

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2011**19. 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 the Clinical Engineering Department services were transferred to FacilicorpNB. The amount of the total budget transfer was \$8,263,000 for the department and resulted in a budget reduction to Horizon by the Department of Health.

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.

	2011	2010
	\$	\$
Transactions during the year:		
Supply of services to		
FacilicorpNB	9,344	1,909,116
Other	1,272,063	938,405
Donations received from		
Foundations	4,860,428	3,983,960
Auxiliaries	99,019	912,717
Donations paid to (for specific purposes)		
Foundations	3,307,500	1,000,000
Purchased services from		
Fundy Linen Service (Division of FacilicorpNB)	6,039,552	5,891,920
FacilicorpNB	2,116,099	549,274
Balances at end of year:		
Accounts receivable from related parties (note 7)		
Vitalité	94,002	86,202
Other related parties	3,439,348	1,787,179
Accounts payable to related parties		
Vitalité	37,307	371,290
Other related parties	2,257,822	1,093,062

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2011

20. COMMITMENTS

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

	\$
2012	13,767,861
2013	9,928,476
2014	5,969,432
2015	3,377,900
2016	1,388,590

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 \$7,815,670. The five-year service support contract commenced on October 1, 2007. As at March 31, 2011 the outstanding commitment is \$1,652,255.

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

21. 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.

22. 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, 2011, 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.