

**FINANCIAL STATEMENTS**

**HORIZON HEALTH NETWORK**

( Regional Health Authority B )

March 31, 2013

**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, 2013, 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, 2013, 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 17, 2013  
Fredericton, Canada

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# **HORIZON HEALTH NETWORK**

**Financial Statements  
Year Ended March 31, 2013**

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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

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

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**As at March 31**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
		<b>(as restated)</b>
		<b>(note 3)</b>
<b>Financial assets</b>		
Cash and cash equivalents	6,517,248	14,109,470
Accounts receivable (note 7)	91,577,339	68,255,424
Investments and restricted cash (note 8)	23,101,165	20,834,040
	<u>121,195,752</u>	<u>103,198,934</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 9)	139,448,390	124,373,302
Designated funds (note 10)	6,465,887	6,172,763
Employee future benefits (note 11)	52,300,600	49,999,800
Deferred revenue - capital grants (note 12)	2,257,767	4,078,440
	<u>200,472,644</u>	<u>184,624,305</u>
<b>Net debt</b>	<u>(79,276,892)</u>	<u>(81,425,371)</u>
<b>Non-financial assets</b>		
Tangible capital assets (note 13)	398,290,729	410,901,265
Inventory (note 14)	9,053,390	9,651,835
Prepaid expenses	2,572,449	2,535,982
	<u>409,916,568</u>	<u>423,089,082</u>
<b>Accumulated surplus</b>	<u>330,639,676</u>	<u>341,663,711</u>

*Commitments (note 17)**Contingencies (note 20)**See accompanying notes to financial statements**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 2013 \$</b>	<b>Actual 2013 \$</b>	<b>Actual 2012 \$</b>
	(Note 4)		(as restated) (note 3)
<b><u>Revenues</u></b>			
Department of Health	1,070,739,651	1,056,853,414	1,062,283,918
Government of Canada	16,549,180	15,699,833	15,810,089
Patient recoveries	34,602,763	36,989,889	33,979,882
Other recoveries and sales	22,772,456	23,584,233	15,486,900
Board generated (note 19)	-	-	12,876,219
	<u>1,144,664,050</u>	<u>1,133,127,369</u>	<u>1,140,437,008</u>
<b><u>Expenses</u></b>			
Nursing inpatient services	337,165,130	332,685,652	326,637,995
Non-inpatient services	135,290,526	134,872,773	132,352,967
Diagnostic and therapeutic services	187,327,965	186,090,885	187,488,614
Community services	103,244,657	100,884,284	100,278,894
Medicare	168,802,240	168,858,618	167,414,438
Research and education	16,330,698	14,560,718	14,241,576
Support services	158,721,807	156,633,306	167,855,767
Administrative services	23,428,175	23,320,753	22,119,930
Ancilliary services	15,397,825	12,759,683	2,105,568
Board sponsored (note 19)	-	-	12,231,930
	<u>1,145,709,023</u>	<u>1,130,666,672</u>	<u>1,132,727,679</u>
Surplus (deficit) from operations before undernoted	(1,044,973)	2,460,697	7,709,329
Amortization of capital funding (note 3)	32,182,830	-	-
Capital grants (note 12)	-	22,020,633	63,490,792
Amortization of tangible capital assets	(32,971,155)	(33,863,853)	(34,031,787)
Sick pay obligation adjustment (note 11)	(1,401,700)	(2,323,100)	(938,400)
Surplus (deficit) for the year	<u>(3,234,998)</u>	<u>(11,705,623)</u>	<u>36,229,934</u>

*See accompanying notes to financial statements*

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

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**Year ended March 31**

	<b>Budget 2013 \$</b>	<b>Actual 2013 \$</b>	<b>Actual 2012 \$</b>
	(Note 4)		<b>(as restated) (note 3)</b>
<b>Accumulated deficit - beginning of year as previously reported</b>	-	(60,828,744)	(67,321,161)
<b>Change in application of accounting policy (note 3)</b>		402,492,455	372,362,983
<b>Accumulated surplus - beginning of year (as restated)</b>		341,663,711	305,041,822
Annual surplus (deficit)	(3,234,998)	(11,705,623)	36,229,934
Endowments and restricted funds expenditures	-	72,456	13,674
Remeasurement gains and losses	-	609,132	378,281
		(11,024,035)	36,621,889
<b>Accumulated surplus - end of year</b>		330,639,676	341,663,711

**Comprised of the following:**

Unrestricted		(65,108,327)	(81,221,812)
Investment in capital assets		394,979,605	406,822,825
Endowments and restricted funds		768,398	840,854
Board equity (note 19)		-	15,221,844
<b>Accumulated surplus - end of year</b>		330,639,676	341,663,711

*See accompanying notes to financial statements*

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

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**Year ended March 31**

	<b>Budget 2013 \$</b>	<b>Actual 2013 \$</b>	<b>Actual 2012 \$  (as restated) (note 3)</b>
	(Note 4)		
<b>Net debt, beginning of year, as previously reported</b>	-	(483,917,826)	(505,116,918)
<b>Change in application of accounting policy (note 3)</b>	-	402,492,455	372,362,983
<b>Net debt, beginning of year, as restated</b>	-	(81,425,371)	(132,753,935)
<b>Changes in year</b>			
Annual surplus (deficit)	(3,234,998)	(11,705,623)	36,229,934
Remeasurement gains and losses	-	609,132	378,281
Acquisition of tangible capital assets	-	(21,253,317)	(22,267,108)
Amortization of tangible capital assets	-	33,863,853	34,031,787
Loss on disposal of tangible capital assets	-	-	6,981
Proceeds on disposal of tangible capital assets	-	-	19,660
Net change in supplies inventory - decrease	-	598,445	347,172
Net change in prepaid expenses - decrease (increase)	-	(36,467)	2,568,183
Endowments and restricted funds expenditures	-	72,456	13,674
<b>Decrease in net debt</b>		2,148,479	51,328,564
<b>Net debt - end of year</b>		(79,276,892)	(81,425,371)

*See accompanying notes to the financial statements*

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

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**Year ended March 31**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
		<b>(as restated)</b>
		<b>(note 3)</b>
<b>Cash and cash equivalents provided by (used in):</b>		
<b>Operating activities</b>		
Surplus (deficit) for the year	(11,705,623)	36,229,934
Add (deduct) items not requiring an outlay of cash		
Amortization of tangible capital assets	33,863,853	34,031,787
Increase in employee future benefits	2,300,800	1,373,800
Loss on disposal of tangible capital assets	-	6,981
Gain (loss) on disposal of investments	255,360	(22,904)
	<u>24,714,390</u>	<u>71,619,598</u>
Net change in non-cash working capital balances related to operations (note 15)	(10,257,641)	(54,657,286)
	<u>14,456,749</u>	<u>16,962,312</u>
<b>Capital transactions</b>		
Purchase of tangible capital assets	(20,208,071)	(22,159,100)
Proceeds on disposal of tangible capital assets	-	19,660
	<u>(20,208,071)</u>	<u>(22,139,440)</u>
<b>Financing activities</b>		
Endowment expenditures	72,456	13,674
Repayment of long-term debt	-	(2,890)
	<u>72,456</u>	<u>10,784</u>
<b>Investing activities</b>		
Proceeds on disposal of investments	2,333,452	14,685,790
Purchase of investments	(4,246,808)	(14,496,980)
	<u>(1,913,356)</u>	<u>188,810</u>
Cash and cash equivalents decrease during the year	(7,592,222)	(4,977,534)
Cash and cash equivalents, beginning of year	14,109,470	19,087,004
Cash and cash equivalents, end of year	<u>6,517,248</u>	<u>14,109,470</u>

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



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

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**Year ended March 31, 2013****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. See note 3 for changes in interpretation of "stipulations".

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, 2013*****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

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

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**Year ended March 31, 2013**

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.

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

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**Year ended March 31, 2013*****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%

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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.

***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 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, 2013****3. CHANGE IN APPLICATION OF ACCOUNTING POLICY**

Horizon previously early adopted section PS 3410 Government Transfers of the Canadian Public Sector Accounting Standards (PSAB) applicable for government organizations. The interpretation of the new standard has evolved and the organization has received further clarification of the concept of "stipulations" creating liabilities. While the policy described in note 2 has not changed, the application of the standard to government transfers and donations has evolved in line with where the industry appears to be moving with the needs of the users of the financial statements.

Previously Horizon recognized a liability for government transfers (capital grants) and donations received for capital purposes and relieved the liability by recognizing revenue over the estimated period the organization would utilize the asset. Currently, a liability will be recognized for operating grants or donations if the funds have not been expended for the specific purpose and for capital grants or donations if the funds have not been expended for the specific purpose or the related asset is not put in use. The change in application of this policy was retrospectively adopted and, therefore, 2012 comparative numbers have been restated. Key adjustments resulting from the adoption of this standard are described in the following table.

	<b>March 31 2012 \$ Increase (Decrease)</b>	<b>April 1 2011 \$ Increase (Decrease)</b>
Deferred revenue - capital grants	(402,492,455)	372,362,983
Net debt	402,492,455	372,362,983
Accumulated surplus	402,492,455	372,362,983
Capital grants	63,490,792	
Amortization of capital funding	(33,361,320)	
Surplus (deficit) for the year	30,129,472	

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

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**Year ended March 31, 2013**

On April 1, 2012, Horizon adopted Public Accounting Standards PS 3450 Financial Instruments. The standard was adopted prospectively from the date of adoption. The new standard provides comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments.

Under PS 3450, all financial instruments, including derivatives, are included on the Statement of Financial Position and are measured either at fair value or amortized cost based on the characteristics of the instrument and Horizon's accounting policy choices (see note 2 - Significant Accounting Policies). As Horizon previously measured cash and investments and restricted cash at fair value, there has been no adjustment as a result of the adoption of this new standard.

**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.

**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.

**NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2013**

***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.

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

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Year ended March 31, 2013

**7. ACCOUNTS RECEIVABLE**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<hr/>		
<u>Province of New Brunswick</u>		
Medicare	17,397,722	27,506,199
Equipment grants	3,789,849	3,271,364
Provincial plan	22,606,506	6,776,877
Budget amendments	11,197,141	7,307,286
Estimated year end adjustments	11,676,957	(2,846,346)
Other	698,159	1,675,521
	<hr/> 67,366,334	<hr/> 43,690,901
Patient, net of allowance for doubtful accounts of \$2,848,359 - (2012 - \$2,962,865)	11,839,478	11,480,802
Other related entities (note 16)	5,013,678	6,934,611
HST	3,467,085	2,923,167
Other	3,890,764	3,225,943
	<hr/> 91,577,339	<hr/> 68,255,424
	<hr/> <hr/>	<hr/> <hr/>

**8. INVESTMENTS AND RESTRICTED CASH**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<hr/>		
Fixed income securities	7,722,714	6,397,140
Canadian denominated stocks	2,972,626	4,470,486
U.S. denominated stocks	5,815,820	3,899,907
Amounts held in cash	6,590,005	6,066,507
	<hr/> 23,101,165	<hr/> 20,834,040
	<hr/> <hr/>	<hr/> <hr/>

The amounts held in cash are restricted for designated funds (note 10).



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

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Year ended March 31, 2013

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2013	2012
	\$	\$
Accounts payable and other accrued liabilities	52,829,001	43,047,563
Salaries and benefits	40,903,410	38,130,668
Accrued vacation pay	45,715,979	43,195,071
	<u>139,448,390</u>	<u>124,373,302</u>

**10. DESIGNATED FUNDS**

	2013	2012
	\$	\$
Patient and other funds	1,614,698	1,669,798
Educational funds	1,257,032	1,163,195
Research funds	3,594,157	3,339,770
	<u>6,465,887</u>	<u>6,172,763</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.

	2013	2012
	\$	\$
Total actuarial value, beginning of year	1,528,200	1,196,000
Change during the year	68,784	419,708
Less: payments made during the year	<u>(90,384)</u>	<u>(87,508)</u>
Total actuarial value, end of year	<u>1,506,600</u>	<u>1,528,200</u>

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

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**Year ended March 31, 2013****( 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>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Total actuarial value, beginning of year	327,800	224,600
Change during the year	12,003	115,533
Less: payments made during the year	<u>(12,703)</u>	<u>(12,333)</u>
Total actuarial value, end of year	<u>327,100</u>	<u>327,800</u>
Total pension related employee future benefits	<u>1,833,700</u>	<u>1,856,000</u>

**( 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, 2013, Horizon expensed contributions of \$30,440,796 (2012 - \$24,330,769) 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 1,800 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	3.39% per annum
Salary growth rate:	2.5% per annum
Retirement age:	age 60

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

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**Year ended March 31, 2013**

Based on actuarial valuation of the liability, at March 31, 2013, the results are:

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Accrued sick pay obligation at April 1	48,143,800	47,205,400
Current service cost	6,792,100	5,719,100
Interest on obligation	1,723,800	2,111,800
Benefit payments	(6,192,800)	(6,892,500)
Accrued sick pay obligation at March 31	50,466,900	48,143,800

**( 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 has 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.

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<b>Total future employee benefit obligations at March 31</b>	<b>52,300,600</b>	<b>49,999,800</b>
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**Horizon Health Network****NOTES TO FINANCIAL STATEMENTS**

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Year ended March 31, 2013

**12. CAPITAL GRANTS**

	2013	2012
	\$	\$
Capital grants received and recorded as revenue during the year are as follows:		(as restated) (note 3)
Deferred revenue capital grants, beginning of year	4,078,440	45,405,010
Capital grants - Province of New Brunswick	13,512,115	13,584,219
Capital grants - Foundations, Auxiliaries, others	6,687,845	8,580,003
Less: deferred revenue capital grants, end of year	(2,257,767)	(4,078,440)
Capital grant revenue for the year	<u>22,020,633</u>	<u>63,490,792</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	2013	2012
	\$	\$	\$	\$
Land	4,361,125	-	4,361,125	4,361,125
Land improvements	12,509,201	6,630,063	5,879,138	6,313,975
Leasehold improvements	1,185,277	1,003,289	181,988	244,398
Buildings	546,440,654	278,409,898	268,030,756	274,853,662
Equipment	467,361,721	349,781,766	117,579,955	120,931,917
Construction in progress	2,257,767	-	2,257,767	4,196,188
	<u>1,034,115,745</u>	<u>635,825,016</u>	<u>398,290,729</u>	<u>410,901,265</u>

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

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Year ended March 31, 2013

**14. INVENTORY**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Drugs	3,598,159	4,034,961
Medical, surgical, general supplies	5,455,231	5,616,874
	<u>9,053,390</u>	<u>9,651,835</u>

**15. STATEMENT OF CASH FLOWS**

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

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Decrease (increase) in</b>		
Accounts receivable	(23,321,915)	(12,400,443)
Inventory	598,445	347,172
Prepaid expenses	(36,467)	2,568,183
	<u>(22,759,937)</u>	<u>(9,485,088)</u>
<b>Increase (decrease) in</b>		
Accounts payable and accrued liabilities	15,075,088	(39,197,889)
Deferred revenues - capital grants	(1,820,673)	(5,846,930)
Designated funds	293,124	(19,669)
	<u>13,547,539</u>	<u>(45,064,488)</u>
Tangible capital asset additions not yet paid at year end	(1,045,243)	(107,710)
	<u>(10,257,641)</u>	<u>(54,657,286)</u>

**Supplemental Information**

Non-cash contributions of tangible capital assets and capital funding are \$5,699,468 (2012 - \$8,576,935).

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

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**Year ended March 31, 2013****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, laundry services were transferred to FacilicorpNB. The amount of the total budget transfer was \$9,773,676 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.

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<hr/>		
Transactions during the year:		
Supply of services to		
FacilicorpNB	2,107,270	70,848
Vitalité	369,691	258,033
Other	947,884	1,693,839
Donations received from		
Foundations	6,479,084	8,470,199
Auxiliaries	208,761	109,804
Donations paid to (for specific purposes)		
Foundations	852,500	1,000,000
Purchased services from		
Fundy Linen Service (Division of FacilicorpNB)	-	6,036,406
FacilicorpNB	4,997,014	2,378,643
Vitalité	326,449	599,467
NB Power	7,873,666	7,938,798
Balances at end of year:		
Accounts receivable from related parties (note 7)		
Vitalité	126,634	158,145
Other related parties	4,887,044	6,776,466
Accounts payable to related parties		
Vitalité	-	32,473
NB Power	316,634	321,988
Other related parties	2,366,440	2,616,473

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**Horizon Health Network**

**NOTES TO FINANCIAL STATEMENTS**

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**Year ended March 31, 2013**

**17. COMMITMENTS**

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

	\$
2014	14,796,116
2015	12,510,912
2016	8,486,227
2017	9,498,458
2018	3,949,012

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, 2013 the outstanding commitment is \$17,973,497. Annual payments under balance of agreement are as follows:

	\$
2014	4,148,411
2015	4,498,610
2016	4,607,550
2017	4,718,926

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

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

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**Year ended March 31, 2013****18. EXPENSES BY OBJECT**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Salaries	776,518,603	774,185,578
Benefits	94,520,190	86,868,281
Medical and surgical supplies	81,291,691	80,815,290
Drugs	43,820,076	47,320,133
Other - services	92,969,943	100,629,564
Other - materials and supplies	43,869,269	43,847,233
Amortization	33,863,853	34,031,787
	<hr/> 1,166,853,625	<hr/> 1,167,697,866 <hr/>

**19. RESTRICTED BOARD RESERVES**

Effective April 1, 2012, the Board, at the direction of the Department of Health has transferred, what were previously considered to be Board activities, into general hospital operations. In past years, the excess of Board generated revenues over Board sponsored expenses was internally restricted by the Board. These internally restricted funds were then only available for purposes specifically approved by the Board of Directors. All accumulated Board reserves were transferred into unrestricted surplus.

**20. 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, 2013, 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.

**21. COMPARATIVE FIGURES**

Certain 2012 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2013.