

The Ross Memorial Hospital

Financial Statements

For the year ended March 31, 2018

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Independent Auditor's Report

To the Members of
The Ross Memorial Hospital

We have audited the accompanying financial statements of The Ross Memorial Hospital, which comprise the statement of financial position as at March 31, 2018, and the statements of operations and net assets and cash flows for the year then ended, and a summary of significant accounting policies, and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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.

Auditor's 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Ross Memorial Hospital as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Lindsay, Ontario

May 31, 2018

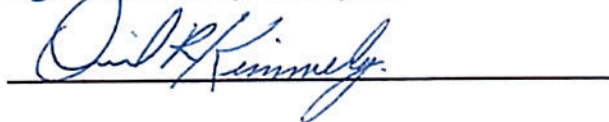
The Ross Memorial Hospital Statement of Financial Position

March 31	2018	2017
Assets		
Current assets		
Cash (Note 4)	\$ 6,907,896	\$ 5,007,444
Investments (Note 5)	1,543,241	1,527,962
Accounts receivable (Note 6)	3,456,652	2,745,862
Inventories	545,013	403,067
Prepaid expenses	809,387	823,644
	13,262,189	10,507,979
Capital assets (Note 7)	64,063,140	64,742,674
	\$ 77,325,329	\$ 75,250,653
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 13,682,696	\$ 11,976,236
Deferred income	1,095,296	517,751
	14,777,992	12,493,987
Post employment benefits and compensated absences (Note 9)	4,731,200	4,584,200
Deferred capital contributions (Note 11)	47,000,552	47,445,921
	66,509,744	64,524,108
Contingencies and commitments (Note 13)		
Unrestricted net assets (Note 14)	10,815,585	10,726,545
	\$ 77,325,329	\$ 75,250,653

Approved by the Board of Governors



Chairperson



Treasurer

The accompanying notes are an integral part of these financial statements

The Ross Memorial Hospital Statement of Operations and Net Assets

For the year ended March 31	2018	2017
Revenues		
Ministry of Health	\$ 83,663,263	\$ 79,237,193
Patient revenues	1,937,763	2,129,177
Differential preferred accommodation	532,926	512,806
Chronic care co-payment	420,360	357,787
Other operating revenue	4,974,749	4,114,423
Restricted program revenue	1,480,271	1,484,438
Amortization of deferred contributions related to equipment	714,504	553,917
	<u>93,723,836</u>	<u>88,389,741</u>
Expenses		
Salary, wages and other remuneration	57,243,904	53,839,737
Employee benefits	13,039,581	12,695,577
Employment restructuring	417,886	76,661
Supplies and other expenses	12,214,719	12,115,966
Medical and surgical supplies	4,889,686	4,067,942
Drugs	1,991,364	1,941,657
Bad debts	118,414	102,387
Restricted program expenses	1,480,271	1,484,438
Equipment amortization	1,768,802	1,478,681
	<u>93,164,627</u>	<u>87,803,046</u>
Surplus before building amortization and investment gain	<u>559,209</u>	<u>586,695</u>
Amortization of deferred contributions for buildings	1,667,923	1,658,381
Amortization for buildings	(2,138,092)	(2,084,642)
Gain on sale of investment	-	310,981
	<u>(470,169)</u>	<u>(115,280)</u>
Net surplus	<u>89,040</u>	<u>471,415</u>
Unrestricted net assets, beginning of year	10,726,545	10,255,130
Unrestricted net assets, end of year (Note 14)	<u>\$ 10,815,585</u>	<u>\$ 10,726,545</u>

The accompanying notes are an integral part of these financial statements

The Ross Memorial Hospital Statement of Cash Flows

For the year ended March 31

2018

2017

Cash provided by (used in)

Operating		
Net surplus	\$ 89,040	\$ 471,415
Items not involving cash		
Equipment amortization	1,768,802	1,478,681
Building amortization	2,138,092	2,084,642
Amortization of deferred contributions related to capital assets	(2,382,427)	(2,212,298)
Employee future benefits	147,000	138,300
	1,760,507	1,960,740
Changes in non-cash working capital balances		
Accounts receivable	(710,790)	(374,212)
Inventory	(141,946)	(7,979)
Prepaid expenses	14,257	55,611
Accounts payable and accrued liabilities	1,706,460	(196,045)
Deferred income	577,545	(17,920)
	3,206,033	1,420,195
Capital		
Net additions to capital assets	(3,227,360)	(1,894,704)
Net proceeds from grants and donations	1,937,058	560,014
	(1,290,302)	(1,334,690)
Investing		
Investments	(15,279)	(14,383)
Financing		
Repayment of capital leases	-	(3,560)
Increase (decrease) in cash	1,900,452	67,562
Cash, beginning of year	5,007,444	4,939,882
Cash, end of year (Note 4)	\$ 6,907,896	\$ 5,007,444

The accompanying notes are an integral part of these financial statements

The Ross Memorial Hospital Notes to Financial Statements

March 31, 2018

1. Significant Accounting Policies

Nature of Organization

The Ross Memorial Hospital, established in 1902, provides health care services in the City of Kawartha Lakes, Brock Township and parts of Haliburton County. The Hospital is incorporated without share capital under the Corporations Act of Ontario. It is a registered charity under the Income Tax Act (Canada). The hospital is a not-for-profit organization and accordingly is exempt from income taxes under the Income Tax Act (Canada).

Basis of Presentation

The financial statements of the Hospital have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs").

Management Responsibility

These financial statements are the responsibility of management prepared in accordance with accounting policies and standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

Revenue Recognition

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

Under the Health Insurance Act and Regulations thereto, the Facility is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-term Care ("Ministry") and the Local Health Integration Network ("LHIN"). The Hospital has entered into a Hospital Service Accountability Agreement (the "H-SAA") with the Ministry and LHIN that sets out the rights and obligations of the parties to the H-SAA in respect of funding provided to the Hospital by the Ministry/LHIN. The H-SAA also sets out performance standards and obligations of the Hospital that establish acceptable results for the Hospital's performance in a number of areas.

If the Hospital does not meet its performance standards of obligations, the Ministry/LHIN has the right to adjust funding received by the Hospital. The Ministry/LHIN is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of Ministry/LHIN funding received by the Hospital during the year may be increased or decreased subsequent to year end.

Amortization of buildings is not funded by the LHIN and accordingly the amortization of buildings has been reflected as an undernoted item in the statement of operations with the corresponding realization of revenue for deferred contributions.

Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenditures are recognized.

The Ross Memorial Hospital Notes to Financial Statements

March 31, 2018

1. Significant Accounting Policies (continued)

Endowment contributions are recognized as direct increases in endowment net assets as detailed in the Notes to these statements.

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

Revenue from the patient services, preferred accommodation, and marketed services is recognized when the goods are sold or the service is provided.

Other operating revenue includes parking and food revenue which is recognized when the goods are sold and services provided.

Cash and Short-term Deposits

Cash and short-term deposits consist of cash on hand, bank balances and other short term highly liquid instruments with maturities of three months or less.

Investments

Investments are recorded at cost. Should the market value of investments become lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on an average cost basis. Inventory consists of medical and general supplies that are used in the Hospital's operations and not for resale purposes.

Capital Assets

Capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value. Any gains or losses on disposal are charged to amortization expense. Construction in progress is not amortized until construction is substantially complete and assets are ready for use.

Capital assets are amortized on a straight-line basis over their useful lives, which have been estimated as follows:

Buildings	2% - 6.67%
Building service equipment	5% - 10%
Major equipment	5% - 20%
Computers	20% - 33%
Parking lot	5%
Parking lot equipment	33%

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

The Ross Memorial Hospital Notes to Financial Statements

March 31, 2018

1. Significant Accounting Policies (continued)

Financial Instruments

The Hospital classifies its financial instruments as either fair value or amortized cost. The Hospital's accounting policy for each category is as follows:

Fair Value

This category includes cash.

They are initially recognized at cost and subsequently carried at fair value. Changes in fair value are recognized in the statement of operations. Changes in fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Amortized Cost

This category includes accounts receivable, accounts payable and accrued liabilities. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets, except for contributions, which are initially recognized at fair value.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.

Retirement, Post-Employment Benefits and Compensated Absences

These benefits include life, extended health and dental insurance to certain employee groups. The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis. Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment. (Note 9).

The Hospital is also an employer member of the Healthcare of Ontario Pension Plan (the "plan"), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Hospital has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. (Note 10)

The Ross Memorial Hospital Notes to Financial Statements

March 31, 2018

1. Significant Accounting Policies (continued)

Management Estimates

The preparation of financial statements in accordance with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of these financial statements are the determination of allowance for doubtful accounts, actuarial estimation of the liability for post-retirement benefits and compensated absences, estimated useful life of capital assets, amortization of defined capital contributions, pay equity accrual and fair value disclosure. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Economic Dependence

The Hospital's primary source funding comes from the Ministry of Health and the Local Health Integration Network. The Hospital is economically dependent on these agencies as it receives 89% (2017 - 90%) of its revenue from them.

3. Financial Instrument Classification

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk would be the carrying value as shown below.

	2018		
	Fair Value	Amortized Cost	Total
Cash	\$ 6,907,896	\$ -	\$ 6,907,896
Investments	-	1,543,241	1,543,241
Accounts receivable	-	3,456,652	3,456,652
Accounts payable and accrued liabilities	-	13,682,696	13,682,696
	\$ 6,907,896	\$ 18,682,589	\$ 25,590,485

	2017		
	Fair Value	Amortized Cost	Total
Cash	\$ 5,007,444	\$ -	\$ 5,007,444
Investments	-	1,527,962	1,527,962
Accounts receivable	-	2,745,862	2,745,862
Accounts payable and accrued liabilities	-	11,976,236	11,976,236
	\$ 5,007,444	\$ 16,250,060	\$ 21,257,504

The Ross Memorial Hospital Notes to Financial Statements

March 31, 2018

3. Financial Instrument Classification (continued)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data

		2018			
		Level 1	Level 2	Level 3	Total
Cash		\$ 6,907,896	\$ -	\$ -	\$ 6,907,896
		2017			
		Level 1	Level 2	Level 3	Total
Cash		\$ 5,007,444	\$ -	\$ -	\$ 5,007,444

There were no transfers between Level 1 and Level 2 for the years ended March 31, 2018 and 2017. There were also no transfers in or out of level 3.

4. Cash

The Hospital is subject to a \$6,500,000 overdraft limit. Interest is charged monthly at a rate of prime. Amounts in excess of this agreed upon limit are subject to interest at 21% per annum. The line of credit is secured by a general security agreement.

The Ross Memorial Hospital Notes to Financial Statements

March 31, 2018

5. Investments

	2018	2017
GIC	<u>\$ 1,543,241</u>	<u>\$ 1,527,962</u>

The GIC had a three year term which matured on April 2, 2018. The GIC was not renewed subsequent to year end.

6. Accounts Receivable

	2018	2017
Ministry of Health and Local Health Integration Network	\$ 711,189	\$ 72,958
Self-pay and other agencies	<u>2,806,081</u>	<u>2,744,132</u>
	3,517,270	2,817,090
Less: Allowance for doubtful accounts	<u>60,618</u>	<u>71,228</u>
	<u>\$ 3,456,652</u>	<u>\$ 2,745,862</u>

7. Property, Plant and Equipment

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 3,490,296	\$ -	\$ 3,490,296	\$ -
Buildings	83,797,472	31,331,197	83,738,297	29,293,321
Equipment	33,735,119	27,069,128	31,920,781	26,757,506
Parking lot	1,511,424	1,344,721	1,511,424	1,245,640
Computers	4,521,937	3,782,403	4,440,555	3,557,134
	<u>127,056,248</u>	<u>63,527,449</u>	<u>125,101,353</u>	<u>60,853,601</u>
Projects under construction	534,341	-	494,922	-
	<u>\$ 127,590,589</u>	<u>\$ 63,527,449</u>	<u>\$ 125,596,275</u>	<u>\$ 60,853,601</u>
Net book value		<u>\$ 64,063,140</u>		<u>\$ 64,742,674</u>

8. Accounts Payable

	2018	2017
Trade	\$ 4,550,527	\$ 3,818,504
Wages and other accruals	<u>9,132,169</u>	<u>8,157,732</u>
	<u>\$ 13,682,696</u>	<u>\$ 11,976,236</u>

The Ross Memorial Hospital Notes to Financial Statements

March 31, 2018

9. Employee Future Benefits

The Hospital sponsors both defined benefit and defined contribution employee future benefit plans covering substantially all employees. The costs of employee future benefits are accrued over the periods in which employees earn the benefits. The plan provides extended health, dental and life insurance to employees.

Actuarial valuations for accounting purposes are performed triennially using the projected benefit method prorated on services. The most recent actuarial report was prepared as at March 31, 2016. The accrued benefit obligation of \$5,055,400 shown for 2018 is from that March 31, 2016 valuation.

Accrued Benefit Obligation	2018	2017
Balance, beginning of year	\$ 4,969,200	\$ 5,005,600
Current service expense	282,800	281,500
Interest	162,300	153,100
Benefits paid during year	(358,900)	(365,900)
Actuarial (gain) loss	-	(105,100)
	\$ 5,055,400	\$ 4,969,200

Post-employment Benefit Liability	2018	2017
Accrued benefit obligation	\$ 5,055,400	\$ 4,969,200
Unamortized experience gain/(loss)	(324,200)	(385,000)
	\$ 4,731,200	\$ 4,584,200

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage and salary increases, employee turnover, and mortality. The assumptions used reflect the Hospital's best estimates are as follows:

The discount rate used to determine the accrued benefit obligation is 3.20% (2017 - 3.00%)

The dental cost used was 3.00% (2017 - 3.00%)

Extended health care rates were assumed to increase to 6.25% in the 2016 valuation and are to decrease in subsequent years by 0.25% increments per annum to an ultimate rate of 4.50%.

The post-employment benefit expense is reported as a component of current expenditures on the statement of financial activities. Composition of the amount is as follows:

	2018	2017
Current service costs	\$ 282,800	\$ 281,500
Interest on post-employment benefit liability	162,300	153,100
Net actuarial (gain) loss amortized in the year	60,800	69,600
	\$ 505,900	\$ 504,200

The above amounts exclude pension contributions to the Hospitals of Ontario Pension Plan (HOOPP), a multi-employer plan, described in Note 10.

The Ross Memorial Hospital Notes to Financial Statements

March 31, 2018

10. Pension Plan

The Healthcare of Ontario Pension Plan (HOOPP) provides pension services to more than 339,328 active and retired members and approximately 540 employers. Substantially all of the full-time employees and some of the part-time employees are members of HOOPP. The plan is a multi-employer plan and therefore the Hospital's contributions are accounted for as if the plan were a defined contribution plan with the Hospital's contributions being expensed in the period they come due.

Each year, an independent actuary determines the funding status of HOOPP by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The results of the most recent valuation as at December 31, 2017 disclosed a surplus of \$18 billion. The results of this valuation disclosed total actuarial liabilities and pension obligations of \$160 billion in respect of benefits accrued for service with actuarial assets at that date of \$178 billion.

Because HOOPP is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario member organizations and their employees. As a result, the Hospital does not recognize any share of the HOOPP surplus or deficit. Contributions made to the plan during the year by the Hospital and employees amounted to \$3,801,873 (2017 - \$3,631,616) and \$3,017,360 (2017 - \$2,881,219) respectively.

11. Deferred Capital Contributions

Deferred capital contributions related to property, plant and equipment represent the unamortized amount of donations and grants received for the purchase of property, plant and equipment. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2018	2017
Balance, beginning of year	\$ 47,445,921	\$ 49,098,205
Additional funding received	1,937,058	560,014
Less: Amounts amortized to revenue	(2,382,427)	(2,212,298)
	<u>\$ 47,000,552</u>	<u>\$ 47,445,921</u>

12. Related Party Transactions

The Ross Memorial Hospital is related to the Ross Memorial Hospital Foundation, the Ross Memorial Hospital Auxiliary and Hospital Diagnostic Imaging Repository Services.

Through to June 23, 2017, the Hospital was a member of the Central Ontario Healthcare Procurement Alliance (COHPA), a not-for-Profit shared service organization that has centralized contract management and purchasing/accounts payable transactions. As of June 23, 2017, COHPA integrated with Plexxus, another not-for-profit shared service organization. The equity membership in COHPA was dissolved and the Hospital now purchases services from Plexxus as a shared services customer.

The Ross Memorial Hospital Notes to Financial Statements

March 31, 2018

12. Related Party Transactions (continued)

The Hospital has the ability to appoint three members of the Ross Memorial Hospital Foundation (the "Foundation") Board of Directors. The Foundation was established to raise and manage funds for the benefit of the Hospital. The Foundation is incorporated as a public foundation under the Canada Corporations Act and is a registered charity under the Income Tax Act. According to the most recent available data, net resources of the Foundation amount to approximately \$11,072,000 as at March 31, 2018 with the balance being available to the Hospital for uses consistent with the intent of the donors and the objects of the foundation at the discretion of the Foundation's Board of Directors.

The net assets and results from operations of the Foundation are not included in the statements of the Hospital. Separate financial statements of the Foundation are available upon request.

The Ross Memorial Hospital Auxiliary (the "Auxiliary") provides periodic capital funding to the Hospital through the Hospital Foundation. The Hospital uses these contributions as designated by the Auxiliary.

Hospital Diagnostic Imaging Repository Services (HDIRS) provides diagnostic imaging services to the Ross Memorial Hospital. The Hospital is one of twenty three owners and has the ability to elect to the board of directors. In 2018 ehealth Ontario agreed to fund the services provided by HDIRS. As a result the Hospital received a credit of \$34,591 in 2018 relating to 2017 expenses and did not incur any expenses in 2018.

All transactions with related parties are recorded at the exchange amount.

Related party transactions during the year not separately disclosed in the financial statements include the following:

- a. donations amounting to \$1,466,378 (2017 - \$674,913) have been received from the Foundation.
- b. an amount of \$339,389 (2017 - \$325,949) has been received from the Foundation as a reimbursement of expenditures
- c. an amount of \$5,000 (2017 - \$5,000) representing rental charges has been received from the Foundation and recorded with marketed services.

13. Contingencies and Commitments

Litigation

The nature of the Hospital's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2018 management believes the Hospital has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

Picture Archival and Communications System

The Hospital is currently in year 4 of a 10 year post warranty services agreement with AGFA Healthcare Inc., relating to their Picture Archival and Communications system. Payments related to this service agreement total \$1,060,200 at approximately \$100,000 per year.

The Ross Memorial Hospital Notes to Financial Statements

March 31, 2018

14. Investment in Capital Assets

The Hospital's net assets of \$10,815,585 consists of \$17,062,588 invested in property, plant and equipment and a \$6,247,003 deficiency (\$6,570,208 in 2017) in remaining net assets. The investment in property, plant and equipment is calculated as follows:

	2018	2017
Capital assets	\$ 64,063,140	\$ 64,742,674
Amounts financed by deferred contributions	<u>(47,000,552)</u>	<u>(47,445,921)</u>
	<u>\$ 17,062,588</u>	<u>\$ 17,296,753</u>

15. Endowments

The Hospital has endowments of \$63,713. The capital of the endowments is restricted and is required to remain intact. The interest earned on the endowments is available for use in operations. These endowments are not included in the financial statements of the Hospital.

The Ross Memorial Hospital Notes to Financial Statements

March 31, 2018

16. Financial Instrument Risk Management

Credit risk

Credit risk is the risk of financial loss to the Hospital if a debtor fails to make payments of interest and principal when due. The Hospital is exposed to this risk relating to its cash and accounts receivable. The Hospital holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the Hospital's cash accounts are insured up to \$100,000 (2017 - \$100,000).

Accounts receivable are primarily due from OHIP, the Ministry of Health and Long-Term Care and patients. Credit risk is mitigated by the financial solvency of the provincial government and the highly diversified nature of the patient population.

The Hospital measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Hospital's historical experience regarding collections. The amounts outstanding at year end were as follows:

	Past Due					
	Total	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days
OHIP	\$ 809,758	\$ 654,098	\$ 131,660	\$ 5,942	\$ 3,355	\$ 14,703
MOH/LHIN	711,189	711,189	-	-	-	-
Patient services	319,956	161,597	39,190	15,992	21,241	81,936
Other	1,676,367	1,676,367	-	-	-	-
Gross receivables	3,517,270	3,203,251	170,850	21,934	24,596	96,639
Impairment allowance	(60,618)	-	-	-	-	(60,618)
Net receivables	\$ 3,456,652	\$ 3,203,251	\$ 170,850	\$ 21,934	\$ 24,596	\$ 36,021

	Past Due					
	Total	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days
OHIP	\$ 663,771	\$ 591,490	\$ 69,466	\$ 1,574	\$ 612	\$ 629
MOH/LHIN	72,958	72,958	-	-	-	-
Patient services	468,423	228,420	50,866	47,921	14,348	126,868
Other	1,611,938	1,611,938	-	-	-	-
Gross receivables	2,817,090	2,504,806	120,332	49,495	14,960	127,497
Impairment allowance	(71,228)	-	-	-	-	(71,228)
Net receivables	\$ 2,745,862	\$ 2,504,806	\$ 120,332	\$ 49,495	\$ 14,960	\$ 56,269

The amounts aged greater than 120 days owing from patients that have not had a corresponding impairment allowance setup against them are collectible based on the Hospital's past experience. Management has reviewed the individual balances and based on the credit quality of the debtors and their past history of payment.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

The Ross Memorial Hospital Notes to Financial Statements

March 31, 2018

16. Financial Instrument Risk Management (continued)

Liquidity risk

Liquidity risk is the risk that the Hospital will not be able to meet all cash outflow obligations as they come due. The Hospital mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near term if unexpected cash outflows arise. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows of financial liabilities):

	2018			
	Within 6 months	6 months to 1 year	1-5 years	> 5 years
Accounts payable	\$ 11,532,696	\$ -	\$ 2,150,000	\$ -
	2017			
	Within 6 months	6 months to 1 year	1-5 years	> 5 years
Accounts payable	\$ 9,826,236	\$ -	\$ 2,150,000	\$ -

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

17 Subsequent Event

In May 2018, the board approved a contract worth \$1,300,000 relating to the construction and renovation of four rooms to be used along with three new diagnostic imaging units. The diagnostic imaging units have a cost of \$2,000,000 with a 20% deposit made in 2018. The Ross Memorial Hospital Foundation has agreed to fund this project. Construction is expected to be completed in 2019.