

The Ross Memorial Hospital

Financial Statements

For the year ended March 31, 2017

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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, 2017, 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, 2017 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 25, 2017

The Ross Memorial Hospital Statement of Financial Position

March 31 2017 2016

Assets

Current assets

Cash and cash equivalents (Note 4)	\$ 5,007,444	\$ 4,939,882
Investments (Note 5)	1,527,962	1,513,579
Accounts receivable (Note 6)	2,745,862	2,371,650
Inventories	403,067	395,088
Prepaid expenses	823,644	879,255

10,507,979 10,099,454

Capital assets (Note 7)

64,742,674 66,411,293

\$ 75,250,653 \$ 76,510,747

Liabilities, Deferred Contribution and Net Assets

Current liabilities

Accounts payable and accrued liabilities (Note 8)	\$ 11,976,236	\$ 12,172,281
Current portion of capital leases	-	3,560
Deferred income	517,751	535,671

12,493,987 12,711,512

Post employment benefits and compensated absences (Note 9)

4,584,200 4,445,900

Deferred capital contributions (Note 11)

47,445,921 49,098,205

64,524,108 66,255,617

Contingencies and commitments (Note 13)

Unrestricted net assets (Note 14)

10,726,545 10,255,130

\$ 75,250,653 \$ 76,510,747

Approved by the Board of Governors

Valerie L. Harris Chairperson

Astra Beumilboom 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

2017

2016

Revenues

Ministry of Health	\$ 79,237,193	\$ 78,726,162
Patient revenues	2,129,177	2,298,740
Differential preferred accommodation	512,806	572,080
Chronic care co-payment	357,787	510,977
Other operating revenue	4,114,423	4,030,819
Restricted program revenue	1,484,438	1,484,944
Amortization of deferred contributions related to equipment	553,917	812,677
	<u>88,389,741</u>	<u>88,436,399</u>

Expenses

Salary, wages and other remuneration	53,839,737	54,582,064
Employee benefits	12,695,577	12,800,439
Employment restructuring	76,661	869,012
Supplies and other expenses	12,115,966	10,435,571
Medical and surgical supplies	4,067,942	3,876,623
Drugs	1,941,657	1,896,872
Bad debts	102,387	64,603
Restricted program expenses	1,484,438	1,502,784
Equipment amortization	1,478,681	1,839,156
	<u>87,803,046</u>	<u>87,867,124</u>

Surplus before building amortization and investment gain

586,695 569,275

Amortization of deferred contributions for buildings

1,658,381 1,663,858

Amortization for buildings

(2,084,642) (2,099,536)

Gain on sale of investment (Note 12)

310,981 -

(115,280) (435,678)

Net surplus

471,415 133,597

Unrestricted net assets, beginning of year

10,255,130 10,121,533

Unrestricted net assets, end of year (Note 14)

\$ 10,726,545 \$ 10,255,130

The Ross Memorial Hospital Statement of Cash Flows

For the year ended March 31

2017

2016

Cash provided by (used in)

Operating		
Net surplus	\$ 471,415	\$ 133,597
Items not involving cash		
Equipment amortization	1,478,681	1,839,156
Building amortization	2,084,642	2,099,536
Amortization of deferred contributions related to capital assets	(2,212,298)	(2,476,535)
Employee future benefits	138,300	266,000
	1,960,740	1,861,754
Changes in non-cash working capital balances		
Accounts receivable	(374,212)	469,400
Inventory	(7,979)	(4,906)
Prepaid expenses	55,611	(97,490)
Accounts payable and accrued liabilities	(196,045)	(484,037)
Deferred income	(17,920)	(585,565)
	1,420,195	1,159,156
Capital		
Net additions to capital assets	(1,894,704)	(2,076,330)
Net proceeds from grants and donations	560,014	1,348,089
	(1,334,690)	(728,241)
Investing		
Investments	(14,383)	(1,513,579)
Financing		
Repayment of capital leases	(3,560)	(154,907)
Increase (decrease) in cash	67,562	(1,237,571)
Cash and cash equivalents, beginning of year	4,939,882	6,177,453
Cash and cash equivalents, end of year (Note 4)	\$ 5,007,444	\$ 4,939,882

The Ross Memorial Hospital Notes to Financial Statements

March 31, 2017

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").

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.

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

The Ross Memorial Hospital Notes to Financial Statements

March 31, 2017

1. Significant Accounting Policies (continued)

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, 2017

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 and cash equivalents.

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 has chosen to adopt the Morneau Shepell method to calculate the discount rate used in the determination of the above mentioned liabilities. This methodology calculates the discount rate based upon the yield on Ontario provincial bonds plus 50% of the 12-month average yield spread (or yield difference) between Ontario provincial and AA corporate bonds.

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, 2017

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 90% (2016 - 89%) 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.

	2017		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	\$ 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, 2017

3. Financial Instrument Classification (continued)

	2016		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	\$ 4,939,882	\$ -	\$ 4,939,882
Investments	-	1,513,579	1,513,579
Accounts receivable	-	2,371,650	2,371,650
Accounts payable and accrued liabilities	-	12,172,281	12,172,281
Capital lease obligations	-	3,560	3,560
	\$ 4,939,882	\$ 16,061,070	\$ 21,000,952

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

	2017			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 5,007,444	\$ -	\$ -	\$ 5,007,444

	2016			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 4,939,882	\$ -	\$ -	\$ 4,939,882

There were no transfers between Level 1 and Level 2 for the years ended March 31, 2017 and 2016. There were also no transfers in or out of level 3.

The Ross Memorial Hospital Notes to Financial Statements

March 31, 2017

4. Cash and cash equivalents

	2017	2016
Operating account	\$ 4,737,964	\$ 4,583,528
Alternative funding account	269,480	356,354
	\$ 5,007,444	\$ 4,939,882

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.

5. Investments

	2017	2016
GIC	\$ 1,527,962	\$ 1,513,579

The GIC has a three year term, maturing in April 2018, and bears interest of 0.90% in the first year, 0.95% in the second year and 1.00% in the third year. This GIC is redeemable on its anniversary date.

6. Accounts Receivable

	2017	2016
Ministry of Health and Local Health Integration Network	\$ 72,958	\$ 63,009
Self-pay and other agencies	2,744,132	2,344,763
	2,817,090	2,407,772
Less: Allowance for doubtful accounts	71,228	36,122
	\$ 2,745,862	\$ 2,371,650

The Ross Memorial Hospital Notes to Financial Statements

March 31, 2017

7. Property, Plant and Equipment

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 3,490,296	\$ -	\$ 3,490,296	\$ -
Buildings	83,738,297	29,293,321	83,506,727	27,271,237
Equipment	31,920,781	26,757,506	30,548,393	25,733,884
Parking Lot	1,511,424	1,245,640	1,511,424	1,183,083
Computers	4,440,555	3,557,134	4,405,786	3,362,834
	125,101,353	60,853,601	123,462,626	57,551,038
Projects under construction	494,922	-	499,705	-
	\$ 125,596,275	\$ 60,853,601	\$ 123,962,331	\$ 57,551,038
Net book value		\$ 64,742,674		\$ 66,411,293

8. Accounts Payable

	2017	2016
Trade	\$ 3,818,504	\$ 3,340,194
Wages and other accruals	8,157,732	8,832,087
	\$ 11,976,236	\$ 12,172,281

The Ross Memorial Hospital Notes to Financial Statements

March 31, 2017

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 \$4,969,200 shown for 2017 is from that March 31, 2016 valuation.

Accrued Benefit Obligation	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 5,005,600	\$ 5,495,500
Current service expense	281,500	333,900
Interest	153,100	155,600
Benefits paid during year	(365,900)	(345,900)
Actuarial (gain) loss	(105,100)	(633,500)
	<u>\$ 4,969,200</u>	<u>\$ 5,005,600</u>

Post-employment Benefit Liability	<u>2017</u>	<u>2016</u>
Accrued benefit obligation	\$ 4,969,200	\$ 5,005,600
Unamortized experience gain/(loss)	(385,000)	(559,700)
	<u>\$ 4,584,200</u>	<u>\$ 4,445,900</u>

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% (2016 - 3.00%)

The dental cost used was 3.00% (2016 - 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:

	<u>2017</u>	<u>2016</u>
Current service costs	\$ 281,500	\$ 333,900
Interest on post-employment benefit liability	153,100	155,600
Net actuarial (gain) loss amortized in the year	69,600	122,400
	<u>\$ 504,200</u>	<u>\$ 611,900</u>

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, 2017

10. Pension Plan

The Healthcare of Ontario Pension Plan (HOOPP) provides pension services to more than 321,860 active and retired members and approximately 516 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, 2016 disclosed a surplus of \$15,898 million. The results of this valuation disclosed total actuarial liabilities and pension obligations of \$148,267 million in respect of benefits accrued for service with actuarial assets at that date of \$164,165 million.

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 \$3,631,616 (2016 - \$3,642,060) and \$2,881,219 (2016 - \$2,867,913) 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.

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 49,098,205	\$ 50,226,651
Additional funding received	560,014	1,348,089
Less: Amounts amortized to revenue	<u>(2,212,298)</u>	<u>(2,476,535)</u>
	<u>\$ 47,445,921</u>	<u>\$ 49,098,205</u>

12. Related Party Transactions

The Ross Memorial Hospital is related to the Central Ontario Healthcare Procurement Alliance (COHPA), the Ross Memorial Hospital Foundation, the Ross Memorial Hospital Auxiliary, the Booth Centennial Healthcare Linen Service and Hospital Diagnostic Imaging Repository Services.

In conjunction with five other hospitals, the Ross Memorial Hospital is a member of Central Ontario Healthcare Procurement Alliance (COHPA). COHPA is a non-profit corporation administered by a nine member board including one voting member from each of the six member hospitals. COHPA provides purchasing, contract management and logistics services for the Hospital. During the year Ross Memorial Hospital paid membership fees to COHPA in the amount of \$425,257 (2016 - \$470,015).

The Ross Memorial Hospital Notes to Financial Statements

March 31, 2017

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 \$10,200,000 as at March 31, 2017 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.

During the year the Hospital sold its investment in Booth Centennial Healthcare Linen Service (BCHLS) for \$310,981.

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. Services in the amount of \$26,719 were provided for the current year (2016 - \$43,189)

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 \$674,913 (2016 - \$1,097,696) have been received from the Foundation.
- b. an amount of \$325,949 (2016 - \$309,447) has been received from the Foundation and netted against the related expenditure for which the money was provided.
- c. an amount of \$5,000 (2016 - \$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, 2017 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 3 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, 2017

14. Investment in Capital Assets

The Hospital's net assets of \$10,726,545 consists of \$17,296,753 invested in property, plant and equipment and a \$6,570,208 deficiency (\$7,054,398 in 2016) in remaining net assets. The investment in property, plant and equipment is calculated as follows:

	<u>2017</u>	<u>2016</u>
Capital assets	\$ 64,742,674	\$ 66,411,293
Amounts financed by deferred contributions	(47,445,921)	(49,098,205)
Amounts financed by capital leases	-	(3,560)
	<u>\$ 17,296,753</u>	<u>\$ 17,309,528</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, 2017

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 (2016 - \$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:

As at March 31, 2017	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

As at March 31, 2016	Past Due					
	Total	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days
OHIP	\$ 768,812	\$ 602,768	\$ 162,808	\$ 1,741	\$ 598	\$ 897
MOH/LHIN	63,009	63,009	-	-	-	-
Patient services	328,869	176,882	49,763	31,476	17,417	53,331
Other	1,247,082	1,247,082	-	-	-	-
Gross receivables	2,407,772	2,089,741	212,571	33,217	18,015	54,228
Impairment allowance	(36,122)	-	-	-	-	(36,122)
Net receivables	\$ 2,371,650	\$ 2,089,741	\$ 212,571	\$ 33,217	\$ 18,015	\$ 18,106

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, 2017

16. Financial Instrument Risk Management (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk and equity risk. The Hospital is not exposed to significant currency or equity risk as it does not transact materially in foreign currency or hold equity financial instruments. The Hospital is not exposed to significant interest rate risk as it does not hold significant long term debt.

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.

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):

	2017			
	Within 6 months	6 months to 1 year	1-5 years	> 5 years
Accounts payable	\$ 9,826,236	\$ -	\$ 2,150,000	\$ -
	2016			
	Within 6 months	6 months to 1 year	1-5 years	> 5 years
Accounts payable	\$ 10,022,281	\$ -	\$ 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.