

# **The Ross Memorial Hospital**

## **Financial Statements**

For the year ended March 31, 2016

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## Independent Auditor's Report

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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, 2016, 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, 2016 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 26, 2016

## The Ross Memorial Hospital Statement of Financial Position

March 31	2016	2015
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 4)	\$ 4,939,882	\$ 6,177,453
Investments (Note 5)	1,513,579	-
Accounts receivable (Note 6)	2,371,650	2,841,050
Inventories	395,088	390,182
Prepaid expenses	879,255	781,765
	10,099,454	10,190,450
Capital assets (Note 7)	66,411,293	68,273,655
	\$ 76,510,747	\$ 78,464,105
<b>Liabilities, Deferred Contribution and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 12,172,281	\$ 12,656,318
Current portion of capital leases	3,560	154,907
Deferred income	535,671	1,121,236
	12,711,512	13,932,461
Post employment benefits and compensated absences (Note 9)	4,445,900	4,179,900
Deferred capital contributions (Note 11)	49,098,205	50,226,651
Capital leases	-	3,560
	66,255,617	68,342,572
Contingencies and commitments (Note 13)		
Unrestricted net assets (Note 14)	10,255,130	10,121,533
	\$ 76,510,747	\$ 78,464,105

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

2016

2015

### Revenues

Ministry of Health	\$ 67,650,919	\$ 70,534,610
Patient revenues	10,305,579	9,775,951
Differential preferred accommodation	572,080	684,848
Chronic care co-payment	510,977	465,669
Other operating revenue	6,141,355	6,911,408
Restricted program revenue	2,442,812	2,393,564
Amortization of deferred contributions related to equipment	812,677	1,074,708
	<u>88,436,399</u>	<u>91,840,758</u>

### Expenses

Salary, wages and other remuneration	53,892,548	55,326,633
Employee benefits	12,615,995	12,109,394
Employment restructuring	869,012	314,554
Supplies and other expenses	10,351,678	11,092,147
Medical and surgical supplies	3,876,608	4,408,112
Drugs	1,896,872	2,001,828
Bad debts	64,603	73,700
Restricted program expenses	2,460,652	2,397,474
Equipment amortization	1,839,156	2,211,615
	<u>87,867,124</u>	<u>89,935,457</u>

Surplus before building amortization

569,275                      1,905,301

Amortization of deferred contributions for buildings

1,663,858                      1,511,216

Amortization for buildings

(2,099,536)                      (1,956,927)

(435,678)                      (445,711)

Net surplus

133,597                      1,459,590

Unrestricted net assets, beginning of year

10,121,533                      8,661,943

**Unrestricted net assets, end of year (Note 14)**

**\$ 10,255,130**                      **\$ 10,121,533**

## The Ross Memorial Hospital Statement of Cash Flows

For the year ended March 31

2016

2015

Cash provided by (used in)

<b>Operating</b>		
Net surplus	\$ 133,597	\$ 1,459,590
Items not involving cash		
Equipment amortization	1,839,156	2,211,615
Building amortization	2,099,536	1,956,927
Amortization of deferred contributions related to capital assets	(2,476,535)	(2,585,924)
Employee future benefits	266,000	233,100
	1,861,754	3,275,308
Changes in non-cash working capital balances		
Accounts receivable	469,400	(274,578)
Inventory	(4,906)	8,886
Prepaid expenses	(97,490)	(9,783)
Accounts payable and accrued liabilities	(484,037)	608,870
Deferred income	(585,565)	(397,738)
	1,159,156	3,210,965
<b>Capital</b>		
Net additions to capital assets	(2,076,330)	(3,240,960)
Net proceeds from grants and donations	1,348,089	1,065,849
	(728,241)	(2,175,111)
<b>Investing</b>		
Investments	(1,513,579)	-
<b>Financing</b>		
Capital leases	-	173,259
Repayment of capital leases	(154,907)	(318,640)
	(154,907)	(145,381)
Increase (decrease) in cash	(1,237,571)	890,473
Cash and cash equivalents, beginning of year	6,177,453	5,286,980
Cash and cash equivalents, end of year (Note 4)	\$ 4,939,882	\$ 6,177,453

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# The Ross Memorial Hospital Notes to Financial Statements

**March 31, 2016**

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## 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.

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# The Ross Memorial Hospital Notes to Financial Statements

**March 31, 2016**

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## 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.

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# The Ross Memorial Hospital Notes to Financial Statements

**March 31, 2016**

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## 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)



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# The Ross Memorial Hospital Notes to Financial Statements

March 31, 2016

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## 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.

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## 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 76% (2015 - 77%) of its revenue from them.

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## 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.

	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
	<u>\$ 4,939,882</u>	<u>\$ 16,061,070</u>	<u>\$ 21,000,952</u>

# The Ross Memorial Hospital Notes to Financial Statements

**March 31, 2016**

### 3. Financial Instrument Classification (continued)

	2015		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	\$ 6,177,453	\$ -	\$ 6,177,453
Accounts receivable	-	2,841,050	2,841,050
Accounts payable and accrued liabilities	-	12,656,318	12,656,318
Capital lease obligations	-	158,467	158,467
	\$ 6,177,453	\$ 15,655,835	\$ 21,833,288

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

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

	2015			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 6,177,453	\$ -	\$ -	\$ 6,177,453

There were no transfers between Level 1 and Level 2 for the years ended March 31, 2016 and 2015. There were also no transfers in or out of level 3.

## The Ross Memorial Hospital Notes to Financial Statements

**March 31, 2016**

**4. Cash and cash equivalents**

	2016	2015
Operating account	\$ 4,583,528	\$ (739,703)
Alternative funding account	356,354	372,377
Payroll account	-	37,999
Cashable GICs	-	6,506,780
	\$ 4,939,882	\$ 6,177,453

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**

	2016	2015
Cashable GIC	1,513,579	-

The GIC has a three year term, maturing in March 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**

	2016	2015
Ministry of Health and Local Health Integration Network	\$ 63,009	\$ 53,540
Self-pay and other agencies	2,344,763	2,826,213
	2,407,772	2,879,753
Less: Allowance for doubtful accounts	36,122	38,703
	\$ 2,371,650	\$ 2,841,050

**The Ross Memorial Hospital  
Notes to Financial Statements**

**March 31, 2016**

**7. Property, Plant and Equipment**

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 3,490,296	\$ -	\$ 3,490,296	\$ -
Buildings	83,506,727	27,271,237	83,496,471	25,243,453
Equipment	30,548,393	25,733,884	29,726,748	24,539,370
Parking Lot	1,511,424	1,183,083	1,511,424	1,117,444
Computers	4,405,786	3,362,834	3,415,078	3,175,707
	123,462,626	57,551,038	121,640,017	54,075,974
Projects under construction	499,705	-	709,612	-
	\$ 123,962,331	\$ 57,551,038	\$ 122,349,629	\$ 54,075,974
Net book value		\$ 66,411,293		\$ 68,273,655

**8. Accounts Payable**

	2016	2015
Trade	\$ 3,340,194	\$ 4,652,436
Wages and other accruals	8,832,087	8,003,882
	\$ 12,172,281	\$ 12,656,318

# The Ross Memorial Hospital Notes to Financial Statements

**March 31, 2016**

## 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 \$5,005,600 shown for 2016 is from that March 31, 2016 valuation.

Accrued Benefit Obligation	2016	2015
Balance, beginning of year	\$ 5,495,500	\$ 4,792,800
Current service expense	333,900	284,000
Interest	155,600	184,500
Benefits paid during year	(345,900)	(312,300)
Actuarial (gain) loss	(633,500)	546,500
Balance, end of year	\$ 5,005,600	\$ 5,495,500

Post-employment Benefit Liability	2016	2015
Accrued benefit obligation	\$ 5,005,600	\$ 5,495,500
Unamortized experience gain/(loss)	(559,700)	(1,315,600)
	\$ 4,445,900	\$ 4,179,900

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 3.00% (2015 - 2.75%)

The dental cost used was 3.00% (2015 - 4.00%)

Extended health care rates were assumed to increase 6.25% per annum in 2016 (2015 - 7.00%) and decrease by 0.25% increments per annum to an ultimate rate of 4.50% (2015 - 5.00%).

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:

	2016	2015
Current service costs	\$ 333,900	\$ 284,000
Interest on post-employment benefit liability	155,600	184,500
Net actuarial (gain) loss amortized in the year	122,400	76,900
Total expense related to post-employment benefits	\$ 611,900	\$ 545,400

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

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# The Ross Memorial Hospital Notes to Financial Statements

March 31, 2016

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## 10. Pension Plan

The Healthcare of Ontario Pension Plan (HOOPP) provides pension services to more than 309,079 active and retired members and approximately 494 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, 2015 disclosed a surplus of \$14,773 million. The results of this valuation disclosed total actuarial liabilities and pension obligations of \$132,884 million in respect of benefits accrued for service with actuarial assets at that date of \$147,657 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 \$3,642,060 (2015 - \$3,542,770) and \$2,867,913 (2015 - \$2,811,723) respectively.

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## 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>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 50,226,651	\$ 51,746,726
Additional funding received	1,348,089	1,065,849
Less: Amounts amortized to revenue	<u>(2,476,535)</u>	<u>(2,585,924)</u>
	<u>\$ 49,098,205</u>	<u>\$ 50,226,651</u>

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## 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 \$470,015 (2015 - \$504,605).

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# The Ross Memorial Hospital Notes to Financial Statements

March 31, 2016

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## 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 \$8,800,000 as at March 31, 2016 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.

The Booth Centennial Healthcare Linen Service (BCHLS) provides linen services to the Ross Memorial Hospital. The Hospital is one of twenty three owners. Services in the amount of \$473,040 were provided for the current year (2015 - \$505,755).

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 \$43,189 were provided for the current year (2015 - \$69,505)

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 \$1,097,696 (2015 - \$857,250) have been received from the Foundation.
- b. an amount of \$309,447 (2015 - \$303,416) has been received from the Foundation and netted against the related expenditure for which the money was provided.
- c. an amount of \$5,000 (2015 - \$5,000) representing rental charges has been received from the Foundation and recorded with marketed services.

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## 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, 2016 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 2 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.

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# The Ross Memorial Hospital Notes to Financial Statements

March 31, 2016

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## 13. Contingencies and Commitments (continued)

### Security Contract

Effective June 2013, the Hospital entered into a five year contract for security services with Securitas Canada Limited. The amounts payable over the next three years are as follows:

2017	\$	238,676
2018		242,256
2019		<u>40,476</u>
	\$	<u>521,408</u>

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## 14. Investment in Capital Assets

The Hospital's net assets of \$10,255,130 consists of \$17,309,528 invested in property, plant and equipment and a \$7,054,398 deficiency (\$7,767,004 in 2015) in remaining net assets. The investment in property, plant and equipment is calculated as follows:

	<u>2016</u>	<u>2015</u>
Capital assets	\$ 66,411,293	\$ 68,273,655
Amounts financed by deferred contributions	(49,098,205)	(50,226,651)
Amounts financed by capital leases	(3,560)	(158,467)
	<u>\$ 17,309,528</u>	<u>\$ 17,888,537</u>

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## 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, 2016**

## 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 \$300,000 (2015 - \$300,000).

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, 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

As at March 31, 2015	Past Due					
	Total	Current	31-60 Days	61-90 Days	91-120 Days	120+ Days
OHIP	\$ 707,363	\$ 569,963	\$ 133,445	\$ 1,670	\$ 781	\$ 1,504
MOH/LHIN	53,540	53,540	-	-	-	-
Patient services	306,419	191,849	40,026	14,984	28,784	30,776
Other	1,812,431	1,812,431	-	-	-	-
Gross receivables	2,879,753	2,627,783	173,471	16,654	29,565	32,280
Impairment allowance	(38,703)	-	-	-	(6,423)	(32,280)
Net receivables	\$ 2,841,050	\$ 2,627,783	\$ 173,471	\$ 16,654	\$ 23,142	\$ -

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, 2016**

## 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):

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

	2015			
	Within 6 months	6 months to 1 year	1-5 years	> 5 years
Accounts payable	\$ 9,978,021	\$ 218,232	\$ 2,460,065	\$ -

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.