

**Strathroy Middlesex General Hospital**  
**Financial Statements**  
For the year ended March 31, 2016

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**Financial Statements**  
For the year ended March 31, 2016

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Tel: 519 245 1913  
Fax: 519 245 5987  
strathroy@bdo.ca  
www.bdo.ca

BDO Canada LLP  
425 Caradoc Street S, Unit E  
Strathroy ON N7G 2P5 Canada

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## Independent Auditor's Report

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### To the Board of Directors Strathroy Middlesex General Hospital

We have audited the accompanying financial statements of Strathroy Middlesex General Hospital which comprise the statement of financial position as at March 31, 2016 and the statement of changes in net assets, operations 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 for government not-for-profit organizations, 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, these financial statements present fairly, in all material respects, the financial position of Strathroy Middlesex General 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 for government not-for-profit organizations.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Strathroy, Ontario  
June 8, 2016

**Strathroy Middlesex General Hospital  
Statement of Financial Position**

March 31 2016 2015

**Assets**

**Current**

Cash	\$ 3,574,342	\$ 5,261,609
Accounts receivable (Note 17)	1,386,433	1,117,769
Inventory (Note 4)	80,857	72,968
Prepaid expenses	226,741	210,483
	5,268,373	6,662,829

Capital assets (Note 5)	19,037,882	19,126,981
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	\$ 24,306,255	\$ 25,789,810
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**Liabilities and Net Assets**

**Current**

Accounts payable and accrued liabilities (Note 3)	\$ 4,320,016	\$ 6,123,825
Current portion of obligation under capital lease (Note 8)	154,414	251,895
	4,474,430	6,375,720

Deferred contributions relating to capital assets (Note 7)	16,296,571	16,041,629
Post-employment benefits (Note 9)	905,500	884,400
Obligation under capital lease (Note 8)	123,612	278,027
	21,800,113	23,579,776

Net assets		
Unrestricted	2,506,142	2,210,034
	2,506,142	2,210,034
	\$ 24,306,255	\$ 25,789,810

On behalf of the Board of Directors:

	Director
	Director

The accompanying notes are an integral part of these financial statements.

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**Strathroy Middlesex General Hospital**  
**Statement of Changes in Net Assets**

<u>For the year ended March 31</u>	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 2,210,034	\$ 1,891,995
Excess of revenues over expenditures	<u>296,108</u>	<u>318,039</u>
Balance, end of year	<u>\$ 2,506,142</u>	<u>\$ 2,210,034</u>

The accompanying notes are an integral part of these financial statements.

## Strathroy Middlesex General Hospital Statement of Operations

For the year ended March 31	2016	2015
<b>Revenue</b>		
Ministry of Health and Long-Term Care	\$ 33,252,238	\$ 32,876,262
Patient revenues	2,738,063	2,681,736
Differential and co-payment	367,567	360,688
Recoveries and miscellaneous	1,981,208	1,442,879
Amortization of deferred capital contributions, equipment	768,654	775,085
Other votes (Note 20)	11,550	11,550
	<b>39,119,280</b>	<b>38,148,200</b>
<b>Expenses</b>		
Salaries and wages	17,436,765	16,965,540
Employee benefits	4,057,865	3,911,320
Employee future benefits (Note 9)	56,100	79,600
Medical staff payments	5,254,332	5,482,777
Supplies and other expenses	6,712,242	6,375,452
Medical and surgical supplies	3,142,458	2,975,499
Drugs	653,899	624,232
Amortization - equipment (Note 5)	1,280,776	1,101,620
Other votes (Note 20)	11,550	11,550
	<b>38,605,987</b>	<b>37,527,590</b>
<b>Operating excess of revenue over expenses</b>	<b>513,293</b>	<b>620,610</b>
<b>Other</b>		
Amortization of deferred capital contributions, building	775,920	621,526
Amortization of buildings and land improvements (Note 5)	(993,105)	(924,097)
	<b>(217,185)</b>	<b>(302,571)</b>
<b>Excess of revenue over expenses</b>	<b>\$ 296,108</b>	<b>\$ 318,039</b>

The accompanying notes are an integral part of these financial statements.

## Strathroy Middlesex General Hospital Statement of Cash Flows

For the year ended March 31	2016	2015
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenues over expenses	\$ 296,108	\$ 318,039
Items not involving cash		
Amortization	2,273,881	2,025,717
Gain on disposal of capital assets	(16,848)	(13,222)
Amortization of deferred contributions relating to capital assets	(1,544,574)	(1,396,611)
Increase in post-employment benefits liability	21,100	38,200
	<u>1,029,667</u>	<u>972,123</u>
Net changes in non-cash working capital balances:		
Accounts receivable	(268,664)	(136,843)
Inventory	(7,889)	15,249
Prepaid expenses	(16,258)	23,581
Accounts payable and accrued liabilities	(1,803,809)	2,085,307
Deferred contributions relating to operations	-	(450,000)
	<u>(1,066,953)</u>	<u>2,509,417</u>
<b>Capital activities</b>		
Purchase of capital assets	(2,184,782)	(3,182,003)
Proceeds on disposal of capital assets	16,848	16,696
Contributions received for capital assets	<u>1,799,516</u>	<u>3,198,735</u>
	<u>(368,418)</u>	<u>33,428</u>
<b>Financing activities</b>		
Payments on capital lease	(251,896)	(230,805)
Capital lease financing received	<u>-</u>	<u>254,665</u>
	<u>(251,896)</u>	<u>23,860</u>
Increase (decrease) in cash and equivalents during the year	(1,687,267)	2,566,705
Cash and equivalents, beginning of year	<u>5,261,609</u>	<u>2,694,904</u>
<b>Cash and equivalents, end of year</b>	<u>\$ 3,574,342</u>	<u>\$ 5,261,609</u>

The accompanying notes are an integral part of these financial statements.

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# Strathroy Middlesex General Hospital

## Notes to Financial Statements

March 31, 2016

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### 1. Significant Accounting Policies

<b>Nature of Organization</b>	<p>The Hospital provides health care services to the residents of Strathroy and surrounding areas. The Hospital, incorporated without share capital under the Corporations Act of Ontario, is a charitable organization within the meaning of the Income Tax Act (Canada).</p> <p>The Hospital is a non-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).</p>
<b>Basis of Accounting</b>	<p>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"). The Strathroy Middlesex General Hospital Foundation is a separate entity whose financial information is reported separately from the hospital.</p>
<b>Contributed Services</b>	<p>Volunteers contribute numerous hours to assist the Hospital in carrying out certain charitable aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in these financial statements.</p>
<b>Revenue Recognition</b>	<p>The Hospital follows the deferral method of accounting for contributions, which include donations and government grants.</p> <p>Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-term Care ("MOHLTC"), and the South West Local Health Integration Network ("SW LHIN"). The hospital has entered into a Hospital Service Accountability Agreement (the "H-SAA") for fiscal 2016 with the MOHLTC and SW 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 MOHLTC/SW LHIN. The H-SAA also sets out the performance standards and obligations of the Hospital that establish acceptable results for the Hospital's performance in a number of areas.</p>

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# Strathroy Middlesex General Hospital

## Notes to Financial Statements

March 31, 2016

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### 1. Significant Accounting Policies (Continued)

#### Revenue Recognition (Continued)

If the Hospital does not meet its performance standards or obligations, the MOHLTC/SW LHIN has the right to adjust funding received by the Hospital. The Ministry/SW 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 completion of the financial statements, the amount of MOHLTC/SW LHIN funding received by the Hospital during the year may be increased or decreased subsequent to year end.

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

Unrestricted contributions are recognized as revenue when received or receivable if the amount 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.

Amortization of buildings is not funded by the SW 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.

Revenue from patient services is recognized when the service is provided.

#### Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on the first-in first-out basis. Inventory consists of pharmaceuticals that are used in the Hospital's operations and not for sale purposes.

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# Strathroy Middlesex General Hospital

## Notes to Financial Statements

March 31, 2016

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### 1. Significant Accounting Policies (Continued)

#### Capital Assets

Purchased 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 that extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value. Construction in progress is not amortized until construction is substantially complete and the assets are ready for use.

Capital assets are capitalized on acquisition and amortized on a straight-line basis over their useful lives, which has been estimated to be as follows:

Building and related service equipment	5 - 40 years
Major equipment	3 - 20 years
Properties for future expansion	20 years

#### Retirement and Post-Employment Benefits

The Hospital provides defined retirement and post-employment benefits to certain employee groups. These benefits include pension, health and dental. The Hospital has adopted the following policies with respect to accounting for these employee benefits:

- (i) 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.
- (ii) The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.
- (iii) The discount used in the determination of the above-mentioned liabilities is equal to the Hospital's internal rate of borrowing.

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# Strathroy Middlesex General Hospital

## Notes to Financial Statements

March 31, 2016

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### 1. Significant Accounting Policies (Continued)

**Pension Plan** The Hospital participates in a multi-employer defined benefit pension plan, however, sufficient information is not available to use defined benefit accounting. Therefore, the Hospital accounts for the plan as if it were a defined contribution plan, recognizing contributions as an expense in the year to which they relate.

**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.

**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.

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.

**Management Estimates**

The preparation of financial statements in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. Areas of key estimation include determination of the allowance for doubtful accounts and actuarial estimation of post-employment benefits.

**Leases**

Leases meeting certain criteria are accounted for as capital leases. The imputed interest is charged against income and the capitalized value is amortized over its estimated useful life. Obligations under capital lease are reduced by lease payments net of imputed interest.

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**Strathroy Middlesex General Hospital**  
**Notes to Financial Statements**

March 31, 2016

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**1. Significant Accounting Policies (Continued)**

**MOHLTC and SW LHIN Funding**

Under the Health Insurance Act and the regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the MOHLTC and SW LHIN. The financial statements reflect agreed funding arrangements approved by the MOHLTC and SW LHIN with respect to the year ended March 31, 2016.

**Vacation Pay**

Vacation pay is accrued for all employees as entitlement is earned.

## Strathroy Middlesex General Hospital Notes to Financial Statements

March 31, 2016

### 2. 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 shown below.

	2016			2015		
	Fair Value	Amortized Cost	Total	Fair Value	Amortized Cost	Total
Cash	\$3,574,342	\$ -	\$3,574,342	\$5,261,609	\$ -	\$5,261,609
Accounts receivable	-	1,386,433	1,386,433	-	1,117,769	1,117,769
Accounts payable and accrued liabilities	-	4,320,016	4,320,016	-	6,123,825	6,123,825
	<b>\$3,574,342</b>	<b>\$5,706,449</b>	<b>\$ 9,280,791</b>	<b>\$5,261,609</b>	<b>\$7,241,594</b>	<b>\$12,503,203</b>

The cash is a level 1 fair value measurement which are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price.

### 3. Accounts Payable and Accrued Liabilities

	2016	2015
Ministry of Health and Long-term Care	\$ 479,570	\$ 296,236
Trade	546,660	915,811
Wages and other accruals	3,293,786	4,911,778
	<b>\$ 4,320,016</b>	<b>\$ 6,123,825</b>

### 4. Inventory

	2016	2015
Pharmacy inventory	\$ 80,857	\$ 72,968

Inventory is carried at cost, which exceeds net realizable value.

**Strathroy Middlesex General Hospital**  
**Notes to Financial Statements**

March 31, 2016

**5. Capital Assets**

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 92,528	\$ -	\$ 92,528	\$ -
Building and related service equipment	33,921,945	18,895,231	30,554,304	17,902,126
Major equipment	22,823,406	18,984,888	21,693,645	17,992,080
Construction in progress	80,122	-	2,680,710	-
	<b>\$56,918,001</b>	<b>\$37,880,119</b>	<b>\$ 55,021,187</b>	<b>\$ 35,894,206</b>
Net book value		<b>\$19,037,882</b>		<b>\$ 19,126,981</b>

The amortization charge for the year is as follows:

	2016	2015
Building	\$ 993,105	\$ 924,097
Equipment	1,280,776	1,101,620
	<b>\$ 2,273,881</b>	<b>\$ 2,025,717</b>

Included in major equipment is equipment under capital lease with a cost of \$1,242,869 (2015 - \$1,242,689) and accumulated amortization of \$719,493 (2015 - \$545,035). Amortization expense includes amortization on equipment under capital lease of \$174,458 (2015 - \$174,458).

Capital asset additions in 2016 amounted to \$3,367,641 in building and related service equipment, \$1,342,562 in major equipment and \$67,870 in construction in progress, totaling \$4,778,073. There were transfers of \$2,668,459 from construction in progress and asset retirements of \$287,969 in major equipment.

**6. Bank Indebtedness**

As at March 31, 2016, the Hospital had \$2,500,000 in available credit (2015 - \$2,500,000), consisting of a \$1,500,000 operating line (2015 - \$1,500,000) and \$1,000,000 (2015 - \$1,000,000) in available transfers from Four Counties Health Services. At year end, neither facility was drawn upon.

## Strathroy Middlesex General Hospital Notes to Financial Statements

March 31, 2016

### 7. Deferred Contributions Relating to Capital Assets

Deferred capital contributions represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2016	2015
Balance, beginning of year	\$16,041,629	\$ 14,239,505
Contributions received	1,799,516	3,198,735
Amortized to revenue	(1,544,574)	(1,396,611)
	<b>\$16,296,571</b>	<b>\$ 16,041,629</b>

As at March 31, 2016 there was \$547,485 (2015 - \$2,783,080) of deferred capital contributions received which were not spent.

### 8. Obligation Under Capital Lease

	2016	2015
Obligation under capital lease - 3.33%, due December, 2016, repayable in semi-annual instalments of \$106,324 principal and interest	\$ 104,583	\$ 308,637
Obligation under capital lease - 2.87%, due November, 2019 repayable in semi-annual installments of \$14,114 principle and interest	84,191	106,745
Obligation under capital lease - 5.17% due May, 2019 repayable in monthly installments of \$2,551 principle and interest	89,252	114,540
	<b>278,026</b>	<b>529,922</b>
Less current portion	154,414	251,895
	<b>\$ 123,612</b>	<b>\$ 278,027</b>

Obligations under capital lease are secured by specific digital imaging equipment.

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## Strathroy Middlesex General Hospital Notes to Financial Statements

March 31, 2016

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### 8. Obligation Under Capital Lease (continued)

Principal payments required on obligations under capital lease for the next five years are as follows:

Year	Amount
2017	\$ 154,414
2018	51,911
2019	54,084
2020	<u>17,617</u>
	<u>\$ 278,026</u>

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### 9. Post-Employment Benefits

#### Retirement Benefits

The Healthcare of Ontario Pension Plan (HOOPP) has substantially all of the full-time employees enrolled in it. On October 1, 2015, all part-time and non-full-time employees became eligible to join the Plan immediately. Some of the part-time employees are enrolled into HOOPP. With the advent of the new Ontario Retirement Pension Plan (ORPP) part-time employees will need to enroll into the ORPP if they are not eligible for HOOPP. Contributions to the plan made during the year by the Hospital on behalf of these employees amounted to \$1,563,436 (2015 - \$1,574,427). Contributions to the plan made during the year by the employees amounted to \$1,240,820 (2015 - \$1,243,972). These are included in the "Employee Benefits" section of the Statement of Operations. For 2016, the Hospital had a liability of \$328,517 (2015 - \$324,625), associated with the Pension Plan.

As a result of restructuring and staff reductions, early retirement packages have been made available to eligible Hospital employees. Eligible full-time employees who opted for early retirement received a continuation of their current health care benefits, up to the age of 65.

The Hospital also pays 50% of the premiums for health and dental benefits of the Ontario Nurses' Association (ONA) members that retired after April 1, 2011, from the date of retirement until the individual reaches the age of 65.

The "Employee future benefit" liability is actuarially determined using the projected accrued benefit cost method, pro-rata on service, and reflects Management's best estimate of future cost trends associated with such benefits and interest rates. The Plan amendments are amortized over the expected average remaining service to full eligibility of the active employees (7.5 years). The cumulative gains and losses in excess of 10% of the beginning of the year accrued benefit obligation are amortized over the expected average remaining service to the expected retirement age of active employees (12.3 years).

## Strathroy Middlesex General Hospital Notes to Financial Statements

March 31, 2016

### 9. Post-Employment Benefits (continued)

Information about the Hospital's accrued benefit obligation relating to its post-retirement benefit plan at March 31, 2016, is as follows:

	2016	2015
Accrued benefit obligation	\$789,100	\$833,200
Less unamortized losses:		
Unamortized past service costs	0	0
Unamortized net actuarial (gain)/loss	116,400	51,200
<b>Accrued Benefit Liability - End of Year</b>	<b>\$905,500</b>	<b>\$ 884,400</b>

The significant actuarial assumptions used in estimating the Hospital's accrued benefit obligations are as follows:

Discounted rate:	
Beginning of year	3.31%
End of year	3.76%
Weighted average health care trend rate	
Initial	7.5 %
Ultimate	4.5 %
Year "Ultimate" reached	2032

The actuarial valuation is for the period April 1, 2015 through March 31, 2016. Included in Employee Benefits on the Statement of Operations is an amount of \$56,100 (2015: \$79,600) related to employee future benefits.

	2016	2015
Current Year Benefit cost:	\$ 32,000	\$ 35,900
Interest on accrued benefit obligation	27,700	38,800
Amortized actuarial loss	(3,600)	4,900
<b>Total Expense</b>	<b>\$56,100</b>	<b>\$ 79,600</b>

Above amounts exclude pension contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), a multi-employer plan, described above.

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# Strathroy Middlesex General Hospital

## Notes to Financial Statements

March 31, 2016

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### 10. Related Entities

#### a) Strathroy Middlesex General Hospital Foundation

Strathroy Middlesex General Hospital exercises influence over Strathroy Middlesex General Hospital Foundation (the Foundation) by virtue of its ability to appoint some of the Foundation's Directors of the Board. The Foundation raises funds for capital acquisition and other related purposes of the Hospital. The Foundation is incorporated under the Corporations Act of Ontario and is a registered charity under the Income Tax Act (Canada).

During the year, the Foundation transferred \$703,180 (2015 - \$748,464) to the Hospital to be used for the purchase of capital assets and \$367,585 (2015 - \$325,484) for operations (education and capital lease).

#### b) Strathroy Middlesex General Hospital Auxiliary

The Auxiliary is an ancillary volunteer organization that is a registered charity under the Income Tax Act (Canada). Under its constitution and by-laws the stated purpose of the Auxiliary is to assist the Hospital and the community.

#### c) Four Counties Health Services

Strathroy Middlesex General Hospital is related to Four Counties Health Services as they are controlled by the same Board of Directors. Staff resources are shared by the hospital. During the year, Strathroy Middlesex General Hospital recovered remuneration of \$1,163,607 (2015 - \$1,203,528) from Four Counties Health Services, and reimbursed Four Counties Health Services \$249,220 (2015 - \$311,257) for remuneration paid by Four Counties Health Services. Joint purchases of supplies are expensed to each Hospital at point of purchase.

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### 11. Economic Dependence

The Hospital received 85% of its total revenue for the year ended March 31, 2016 (2015 - 86%) from the SW LHIN and Ministry of Health and Long-Term Care.

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# Strathroy Middlesex General Hospital

## Notes to Financial Statements

March 31, 2016

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### 12. Capital Management

The Hospital's primary objective when managing capital is to safeguard the entity's ability to deliver comprehensive family-centred patient care in a rural and community-focused health service setting in collaboration and integration with our healthcare partners. The Hospital defines its capital as its cash and net assets, both restricted and unrestricted.

The Hospital monitors its cash position on a weekly basis and reviews the current ratio and working capital position on a monthly basis.

The Hospital manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Strathroy Middlesex General Hospital Foundation provides the annual capital equipment support, which is paid on a predetermined basis during the fiscal year. In order to adjust the capital structure the Hospital may sell or purchase investments, utilize the approved operating line of credit, or any advances from the SW LHIN. Longer term borrowing arrangements with financial institutions are also in place.

There have been no changes in what the Hospital defines as capital, or the objectives, policies and procedures for managing capital, in the year.

The Hospital manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Strathroy Middlesex General Hospital Foundation provides the annual capital equipment support, which is paid on a predetermined basis during the fiscal year. In order to adjust the capital structure the Hospital may sell or purchase investments, utilize the approved operating line of credit, or any advances from the SW LHIN. Longer term borrowing arrangements with financial institutions are also in place.

There have been no changes in what the Hospital defines as capital, or the objectives, policies and procedures for managing capital, in the year.

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## Strathroy Middlesex General Hospital Notes to Financial Statements

March 31, 2016

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### 13. Public Sector Salary Disclosure Act

The Public Sector Salary Disclosure Act requires that the Hospital disclose in its annual statement, the amount of salary and benefits paid in excess of \$100,000.

For the Calendar year, 2016:	Salary	Taxable benefits
Todd Stepanuik, President and Chief Executive Officer	\$219,999	\$896
Nancy Maltby, Chief Operating Officer and Chief Nurse Executive	\$176,542	\$7,769
Nancy Switzer, Registered Nurse	\$110,817	\$448
Marianne Lewis, Registered Nurse	\$112,494	\$504
Xiaofei Huang, Pharmacist	\$102,135	\$442
Patricia DeRuiter, Director of Diagnostic Services	\$100,816	\$444
Elizabeth Kendall, Director of Human Resources	\$100,816	\$444

Generally, the Act defines salary as the amount received by an employee required by the Income Tax Act (Canada) and defines benefits as amounts reported to Revenue Canada, Taxation, under the Income Tax Act (Canada).

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### 14. Contingencies

The Hospital has been named defendant in certain legal actions. The final liability, if any, of these claims is indeterminable as the Hospital has established defense actions and further, in the opinion of legal counsel and the Hospital's insurance adjustors, should any claim be successful, it would be subject to material coverage by the hospital's policies of insurance.

## Strathroy Middlesex General Hospital

### Notes to Financial Statements

March 31, 2016

#### 15. Supplementary Information

Additional cash flow information is as follows:

	2016		2015	
Interest paid in the year	\$	16,820	\$	20,081
Interest received in the year		25,691		24,417

#### 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 (2015 - \$100,000).

Accounts receivable is 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 patients 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 collection. The amounts outstanding at year end were as follows:

	Past Due					
	Total	Current	31-60 days	61-90 days	91-120 days	> 120 days
Inpatients	\$ 41,201	\$ 30,360	\$ 5,890	\$ 540	\$ 255	\$ 4,156
Outpatients	48,976	36,012	5,345	7,444	90	85
OHIP	338,131	259,868	73,182	1,025	643	3,413
Miscellaneous	982,125	981,468	102	238	307	10
Gross receivables	1,410,433	1,307,708	84,519	9,247	1,295	7,664
Less: impairment allowances	(24,000)	(24,000)	-	-	-	-
Net receivables	<u>\$1,386,433</u>	<u>\$1,283,708</u>	<u>\$ 84,519</u>	<u>\$ 9,247</u>	<u>\$ 1,295</u>	<u>\$ 7,664</u>

The amounts aged greater than 90 days owing from patients that have not had corresponding impairment allowance setup against them are collectible based on the Hospital's past experience. Management has reviewed the individual balances and based on credit quality of debtors and their past history of payment.

# Strathroy Middlesex General Hospital

## Notes to Financial Statements

March 31, 2016

### 16. Financial Instrument Risk Management (Continued)

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.

#### 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.

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.

#### Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The Hospital is exposed to this risk through its capital lease obligation.

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 rate 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 follow table sets out the contractual maturities (representing undiscounted contractual cash-flows of financial liabilities):

	6 months	6 months to 1 year	1 - 5 years
Accounts payable	\$ 4,320,016	\$ -	\$ -
Obligation under capital lease	129,244	25,170	123,612
	<u>\$ 4,449,260</u>	<u>\$ 25,170</u>	<u>\$ 123,612</u>

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## Strathroy Middlesex General Hospital Notes to Financial Statements

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### 17. HIROC

On July 1, 1987, a group of health care organizations, (“subscribers”), formed Healthcare Insurance Reciprocal of Canada (“HIROC”). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces and territories where it is licensed. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to current date.

Since its inception in 1987 HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC.

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### 18. Other Votes

Other votes reflects a separate funding stream from the MOHLTC/SW LHIN for programs not typically part of the base, QBP, Wait Time, or HBAM funding. Other votes consists of the funding and related expenses for municipal taxes. For the year ended March 31, 2014 other votes also included the funding and related expenses for the Diabetes Education Program. Beginning in fiscal 2015 the Diabetes Education Program funding is now included in the revenue from the Ministry of Health and Long-Term Care.

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### 19. Contractual Obligation

The two sites of the MHA are working with a supplier for the development of a series of building systems and energy efficiencies upgrades. The focus of any eventual projects will be on those elements that are financially viable from a financing perspective.