

**Leamington District Memorial Hospital**

**Financial Statements  
March 31, 2017**

## INDEPENDENT AUDITOR'S REPORT

### To the Directors and Members of Leamington District Memorial Hospital

We have audited the accompanying financial statements of Leamington District Memorial Hospital, which comprise the statement of financial position as at March 31, 2017, and the statement of changes in net assets, statements of operations, and statement of cash flow for the year then ended, and a summary of 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 amount 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 statement of financial position of Leamington District Memorial Hospital as at March 31, 2017, and the statement of changes in net assets, statements of operations, and statement of cash flow for the year then ended in accordance with Canadian public sector accounting standards.

**HICKS, MacPHERSON, IATONNA  
& DRIEDGER LLP**

*Hicks, MacPherson, Iatonna  
& Driedger LLP*

Leamington, Ontario  
May 30, 2017

Chartered Professional Accountants  
Licensed Public Accountants

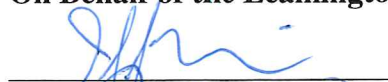
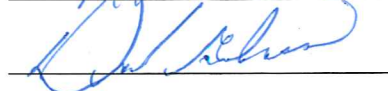
# Leamington District Memorial Hospital

## Statement of Financial Position as at March 31

	2017	2016
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 3,101,949	\$ 3,868,024
Accounts receivable (note 3 and 9)	4,153,559	3,839,028
Inventories (note 1)	155,012	137,748
Prepaid expenses	588,923	474,228
	7,999,443	8,319,028
<b>Capital Assets</b> (note 1 and 4)	<b>18,209,983</b>	<b>17,481,293</b>
<b>Long Term Receivable</b> (note 9)	<b>1,100,000</b>	<b>2,500,000</b>
	\$ 27,309,426	\$ 28,300,321
<b>Liabilities and Net Assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 4,786,389	\$ 3,909,120
Unearned revenue	444,418	841,909
	5,230,807	4,751,029
<b>Deferred Contributions Relating to Capital Assets</b> (note 5)	<b>15,339,235</b>	<b>15,935,697</b>
<b>Post-Employment Benefits</b> (note 1 and 13)	<b>758,600</b>	<b>644,400</b>
	21,328,642	21,331,126
<b>Net Assets</b>		
Invested in capital assets (note 12)	2,870,748	1,545,596
Unrestricted	3,110,036	5,423,599
	5,980,784	6,969,195
	\$ 27,309,426	\$ 28,300,321

*See accompanying notes to financial statements*

**On Behalf of the Leamington District Memorial Hospital**

 \_\_\_\_\_ **Member**  
 \_\_\_\_\_ **Member**

# Leamington District Memorial Hospital

## Statement of Changes in Net Assets for the years ended March 31

	Invested in		2017	2016
	Capital	Unrestricted	Total	Total
	Assets			
<b>Net Assets, Beginning of Year</b>	\$ 1,545,596	\$ 5,423,599	\$ 6,969,195	\$ 7,700,321
Excess of (expenses over revenue)	-	(988,411)	(988,411)	(731,126)
Net change in net assets invested in capital assets (note 12)	1,325,152	(1,325,152)	-	-
<b>Net Assets, End of Year</b>	<b>\$ 2,870,748</b>	<b>\$ 3,110,036</b>	<b>\$ 5,980,784</b>	<b>\$ 6,969,195</b>

*See accompanying notes to financial statements*

# Leamington District Memorial Hospital

## Statement of Operations for the years ended March 31

	2017	2016
<b>Revenue</b>		
Ministry of Health and Long Term Care/Local Health Integration Network (note 6)	\$ 34,001,324	\$ 33,732,266
Patient services	5,613,342	5,346,706
Other revenues and recoveries (note 7)	959,954	778,303
Amortization of deferred capital contributions - equipment (note 5)	1,200,848	741,434
	<b>41,775,468</b>	<b>40,598,709</b>
<b>Expenses</b>		
Salaries and purchased services	18,933,221	18,521,409
Employee benefits	4,910,687	5,017,057
Post-employment benefits (note 13)	177,500	168,100
Medical staff remuneration	6,508,005	6,371,042
Medical and surgical supplies	1,607,826	1,544,793
Drugs and medical gases	668,743	696,656
Supplies and other expenses	8,065,854	7,544,963
Amortization of equipment	1,327,997	926,232
	<b>42,199,833</b>	<b>40,790,252</b>
<b>Excess of (Expenses Over Revenue) From Operations</b>	<b>(424,365)</b>	<b>(191,543)</b>
Amortization of deferred capital contributions - building (note 5)	972,907	924,280
Amortization of buildings	(1,536,953)	(1,463,863)
<b>Excess of (Expenses Over Revenue)</b>	<b>\$ (988,411)</b>	<b>\$ (731,126)</b>

*See accompanying notes to financial statements*

## Leamington District Memorial Hospital

### Statement of Cash Flow for the years ended March 31

	2017	2016
<b>Cash Flows From Operating Activities</b>		
Cash receipts from ministry, patients etc.	\$ 39,862,596	\$ 39,899,503
Cash paid to suppliers, employees etc.	(40,012,324)	(40,949,834)
	(149,728)	(1,050,331)
<b>Cash Flows From Capital Activities</b>		
Acquisition of capital assets	(3,593,640)	(1,749,447)
Receipt of capital contributions	2,977,293	1,990,138
	(616,347)	240,691
<b>Net Change in Cash</b>	(766,075)	(809,640)
<b>Cash, Beginning of Year</b>	<b>3,868,024</b>	<b>4,677,664</b>
<b>Cash, End of Year</b>	<b>\$ 3,101,949</b>	<b>\$ 3,868,024</b>

*See accompanying notes to financial statements*

# Leamington District Memorial Hospital

## Notes to Financial Statements for the years ended March 31

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### **Nature of Business**

Leamington District Memorial Hospital ("Hospital") is incorporated without share capital under the laws of Ontario. The Hospital is a registered charity and as such, is exempt from tax. The Hospital is principally involved in providing health care services to the Municipality of Leamington and its surrounding area.

## **1. Summary of Accounting Policies**

### ***Management Responsibility***

The consolidated financial statements of the Leamington District Memorial Hospital are the representation of management prepared in accordance with accounting policies prescribed for government not-for-profit organizations as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

### ***Basis of Accounting***

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").

### ***Related Entities***

These financial statements reflect the assets, liabilities and operations of the Leamington District Memorial Hospital ("Hospital"). They do not include the assets, liabilities or operations of its auxiliaries.

The Leamington District Memorial Hospital Auxiliary elects their own officers and formulates their own by-laws. The Hospital has a right to approve such and make changes where necessary. The Auxiliary's financial results are reported in Note 10.

Leamington District Memorial Hospital Foundation is separately managed and reports to a separate board of Trustees. The Foundation's financial results are reported in Note 9.

### ***Use of 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 useful lives of capital assets, allowance for doubtful accounts, accrued liabilities, unearned revenue, deferred revenue relating to capital assets, inventory obsolescence, legal settlement/judgment and actuarial estimation of post-employment benefits.

### ***Inventories***

Inventories consist of medical, pharmaceutical and office supplies that are not for sale. Inventories are valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis.



# Leamington District Memorial Hospital

## Notes to Financial Statements for the years ended March 31

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### 1. Summary of Accounting Policies (Cont'd)

#### *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. Land for development is not amortized until its future use is certain and the land is being utilized to serve the Hospital. Amortization is provided on a straight-line basis over the estimated useful lives as set out below.

Land	0%
Parking Lots	10%
Land for Development	0%
Buildings	2% to 5%
Furnishings and Equipment	10% to 33 1/3%

#### *Vacation Pay*

Vacation pay is accrued for all employees as entitlement to these payments is earned.

#### *Revenue Recognition*

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 Ministry of Health and Long Term Care (the "Ministry") and is negotiated jointly between the Hospital and the Erie St. Clair Local Health Integration Network (the "LHIN"). These financial statements reflect agreed funding arrangements approved by the LHIN with respect to the year ending March 31, 2017. Operating grants are recorded as revenue in the period to which they relate. 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 a subsequent period.

The amount of any unrestricted contributions to the Hospital are not included in revenues until such time as funds are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions restricted for the purchase of capital assets are deferred and amortized on a straight-line basis at a rate corresponding with the amortization rate of the related asset.

In particular, the amount of revenue recognized from the LHIN is a significant estimate. The Hospital has entered into a Hospital Service Accountability Agreement (the "H-SAA") that sets out the rights and obligations of the two parties in respect of funding provided to the Hospital by the LHIN. The H-SAA sets out certain performance standards and obligations that establish acceptable results for the Hospital's performance in a number of areas.

# Leamington District Memorial Hospital

## Notes to Financial Statements for the years ended March 31

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### 1. Summary of Accounting Policies (Cont'd)

#### *Revenue Recognition (cont'd)*

If the Hospital does not meet its performance standards or obligations, the LHIN has the right to adjust funding received by the Hospital. The 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 LHIN funding received during the year may be increased or decreased subsequent to year end. The amount of revenue recognized in these financial statements represents management's best estimates of amounts that have been earned during the year.

Revenue related to patient care and other activities is recognized when the service is provided.

#### *Post-Employment Benefits*

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

- (a) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs 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.
- (b) The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.
- (c) The discount used in the determination of the above-mentioned liabilities is equal to the Hospital's long term cost of borrowing.

#### *Leased Equipment*

Equipment leased on terms which transfer substantially all of the benefits and risks of ownership to the Hospital are accounted for as "capital leases", and are therefore accounted for as though an asset had been purchased and a liability incurred. All other items of equipment held on lease are accounted for as operating leases and expensed in the year incurred.

#### *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, unearned revenue and post-employment benefits. 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.

# Leamington District Memorial Hospital

## Notes to Financial Statements for the years ended March 31

### 1. Summary of Accounting Policies (Cont'd)

#### *Amortized Cost (cont'd)*

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.

#### *Contributed Services*

A substantial number of volunteers contribute a significant amount of time to assist the Hospital in carrying out its activities. The fair market value of these services is not readily determinable and, as such, it is not reflected in these statements.

### 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.

	Fair Value	Amortized Cost	Total
Cash	\$ 3,101,949	\$ -	\$ 3,101,949
Accounts receivable	-	4,153,559	4,153,559
Long term receivable	-	1,100,000	1,100,000
Accounts payable and accrued liabilities	-	4,786,389	4,786,389
Unearned revenue	-	444,418	444,418
Post-employment benefits	-	758,600	758,600
	\$ 3,101,949	\$ 11,242,966	\$ 14,344,915

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

### 3. Accounts Receivable

	2017	2016
Insurers and patients	\$ 803,735	\$ 948,812
Ministry of Health and Long-Term Care	309,309	30,718
Leamington District Memorial Hospital Foundation	3,579,755	4,957,183
Other	597,159	505,026
	5,289,958	6,441,739
Less: Long term portion of Foundation receivable	1,100,000	2,500,000
Less: Allowance for doubtful accounts	36,399	102,711
	\$ 4,153,559	\$ 3,839,028

## Leamington District Memorial Hospital

### Notes to Financial Statements for the years ended March 31

#### 4. Capital Assets

	Cost	Accumulated Amortization	2017 Net Book Value	2016 Net Book Value
Land	\$ 8,104	\$ -	\$ 8,104	\$ 8,104
Parking lots	1,734,080	1,277,953	456,127	502,304
Land for development	925,714	-	925,714	772,869
Buildings	37,564,379	24,604,041	12,960,338	13,643,430
Furnishings and equipment	21,269,274	17,486,148	3,783,126	2,520,416
Construction in progress	76,574	-	76,574	34,170
	<b>\$ 61,578,125</b>	<b>\$ 43,368,142</b>	<b>\$ 18,209,983</b>	<b>\$ 17,481,293</b>

During the year, the Hospital wrote off fully depreciated equipment with an original cost and accumulated amortization of \$178,027. (Prior year - cost \$55,114 and accumulated amortization of \$44,122 for a loss on disposal of \$10,992).

#### 5. Deferred Contributions Relating to Capital Assets

	2017	2016
Balance, Beginning of Year	\$ 15,935,697	\$ 14,661,273
Additions	1,577,293	2,940,138
Amortization of completed projects - equipment	(1,200,848)	(741,434)
Amortization of completed projects - building	(972,907)	(924,280)
Balance, End of Year	<b>\$ 15,339,235</b>	<b>\$ 15,935,697</b>

#### 6. Ministry of Health and Long Term Care/Local Health Integration Network

	2017	2016
LHIN global allocation	\$ 15,291,709	\$ 14,250,271
HBAM allocation	8,056,534	8,937,342
Quality based procedures	4,821,696	5,096,673
One time payments	2,755,538	2,328,745
Other revenue from MOHLTC/LHIN	3,075,847	3,119,235
	<b>\$ 34,001,324</b>	<b>\$ 33,732,266</b>

# Leamington District Memorial Hospital

## Notes to Financial Statements for the years ended March 31

### 7. Other Revenues and Recoveries

	2017	2016
Interest	\$ 17,298	\$ 27,972
Rent	64,500	58,110
External recoveries	450,732	256,483
Parking	358,974	350,871
Other	68,450	84,867
	<b>\$ 959,954</b>	<b>\$ 778,303</b>

### 8. Pension Plan

Substantially all of the employees of the Hospital are members of the Hospitals of Ontario Pension Plan which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Contributions to the plan made during the year by the Hospital on behalf of its employees amounted to \$1,472,254 (2016 - \$1,356,930) and are included in employee benefits in the statement of operations.

### 9. Related Entities

#### (a) *The Leamington District Memorial Hospital Foundation*

The Hospital has an economic interest in the Leamington District Memorial Hospital Foundation (the "Foundation") as one of the Foundation's mandates is to raise funds to support the Hospital. The Foundation is a tax exempt entity without share capital incorporated under the laws of Ontario. The accounting policy followed in reporting the foundation is note disclosure.

The transactions with the Foundation include a total of \$3,579,755 (2016 - \$4,957,183) recorded as Accounts Receivable. The Board and management have determined that \$2,479,755 (2016 - \$2,457,183) will be collected within the next fiscal year and is included in current accounts receivable. The remainder of \$1,100,000 (2016 - \$2,500,000) has been classified as a long term receivable. All amounts have been recorded at the exchange amount.

# Leamington District Memorial Hospital

## Notes to Financial Statements for the years ended March 31

### 9. Related Entities (Cont'd)

The assets, liabilities, results of operations and cash flows for the Foundation for the years ended March 31 are as follows:

	2017	2016
<b>Financial position:</b>		
Total assets	\$ 25,068,911	\$ 25,969,935
Total liabilities	\$ 5,896,603	\$ 9,566,043
Net assets	19,172,308	16,403,892
	\$ 25,068,911	\$ 25,969,935
<b>Results of operations:</b>		
Total revenue	\$ 4,749,414	\$ 2,981,777
Total expenses	1,980,998	2,930,648
Net income for the year	\$ 2,768,416	\$ 51,129
<b>Cash flows:</b>		
Operating	\$ (974,372)	\$ 2,270,245
Investing	2,861,026	(4,614,072)
Financing	(1,850,000)	3,500,000

#### (b) TransForm Shared Services Organization

The Hospital along with Bluewater Health (BH), Chatham-Kent Health Alliance (CKHA), Hotel-Dieu Grace Healthcare (HDGH) and Windsor Regional Hospital (WRH) operates a not-for-profit without share capital under the laws of the Province of Ontario shared service organization called TransForm Shared Service Organization (TransForm). TransForm was a result of the amalgamation of PROcure Healthcare, which provided the purchasing and payment responsibilities and Consolidated Health Information Services (CHIS), which provided Information Technology/Information System services for the five hospitals.

### 10. Leamington District Memorial Hospital Auxiliary

The Auxiliary is a 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. For the year ended August 31, 2016, the Auxiliary reported gross revenues of \$206,867 and total expenses of \$151,591 with a resulting net income of \$55,276 (2015 - \$205,695, \$198,780 and \$6,915 respectively). During the year, the Auxiliary donated equipment with a value of \$8,770 (2016 - \$25,008) to the Hospital.

# Leamington District Memorial Hospital

## Notes to Financial Statements for the years ended March 31

### 11. Commitments, Contingencies and Guarantees

The nature of the Hospital's activities is such that there is usually litigation pending or in progress at any time. With respect to claims at March 31, 2017, management believes the Hospital has valued defences and appropriate insurance 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.

To the extent permitted by law the Hospital indemnifies present and former directors and officers against certain claims that may be made against them as a result of their service as directors or officers. The Hospital purchases directors' and officers' liability insurance that may be available in certain instances. The likelihood of these arrangements preclude the Hospital from making a reasonable estimate of the maximum potential amount the Hospital could be required to pay to counterparties.

The Hospital along with the four Hospitals within the Erie St. Clair LHIN entered into an agreement in 2009 that resulted in the creation of a non-share capital, not-for-profit corporation known as Transform to provide supply chain and IT services to the member hospitals. During 2015, Transform obtained a 3 year demand loan from CIBC at 2.98%. The principal balance outstanding at March 31, 2017 is \$594,197 (2016 - \$1,366,309). The hospital has provided a guarantee equal to 6.12% or \$36,365 (2016 - \$83,618) of this loan.

Transform carries a number of leases on behalf of the five member hospitals for shared IT data equipment. The Hospital's share of the lease payments over the terms of these leases are as follows:

	2018	\$	59,446
	2019		61,613
	2020		56,407
	2021		26,238
	2022		8,636
		\$	212,340

### 12. Net Assets Invested in Capital Assets

	2017	2016
<i>Net assets invested in capital assets is calculated as follows:</i>		
Capital assets - net	\$ 18,209,983	\$ 17,481,293
<i>Less amounts funded by:</i>		
Deferred capital contributions	(15,339,235)	(15,935,697)
	\$ 2,870,748	\$ 1,545,596

## Leamington District Memorial Hospital

### Notes to Financial Statements for the years ended March 31

#### 12. Net Assets Invested in Capital Assets (Cont'd)

	2017	2016
<i>The net change in net assets invested in capital assets is calculated as follows:</i>		
Purchase of capital assets	\$ 3,593,640	\$ 1,760,439
Amounts funded by deferred capital contributions	(1,577,293)	(2,940,138)
Amortization of capital assets	(2,864,950)	(2,390,195)
Amortization of deferred capital contributions	2,173,755	1,665,714
Disposal of assets	-	(10,992)
	\$ 1,325,152	\$ (1,915,172)

#### 13. Post-Employment Benefits

The Hospital provides extended health care and dental insurance benefits to certain of its employees and extends this coverage to the post-retirement period. The most recent actuarial valuation of employee future benefits was completed in April, 2017.

As at March 31, 2017, the Hospital's post-employment benefits and related expenses are as follows:

	2017	2016
Accrued benefit obligation	\$ 1,220,500	\$ 1,251,200
Unamortized experience (losses)	(461,900)	(606,800)
Accrued liability	\$ 758,600	\$ 644,400

	2017	2016
Current year service cost	\$ 74,600	\$ 69,500
Interest on accrued benefit obligation	48,700	47,600
Amortized actuarial loss	54,200	51,000
Total expense	\$ 177,500	\$ 168,100



# Leamington District Memorial Hospital

## Notes to Financial Statements for the years ended March 31

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### 13. Post-Employment Benefits (Cont'd)

Above amounts exclude pension contributions to the Hospitals of Ontario Pension Plan ("HOOP"), a multi-employer plan, described in note 8.

Similar to most post-employment benefit plans (other than pension) in Canada, the Hospital's plan is not pre-funded, resulting in a plan deficit equal to the accrued benefit obligation.

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

Discount rate - 2017	3.56%
Discount rate - 2016	3.76%
Dental benefits cost escalation	4%
Medical benefits cost escalation - extended health care	7.25% in 2017 decreasing by 0.25% per annum to an ultimate rate of 5% in 2026 and thereafter

### 14. Capital Management

In managing capital, the Hospital focuses on liquid resources available for operations. The Hospital's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. In addition, the Hospital is required to achieve certain performance measures related to working capital set out in the H-SAA. The need for sufficient liquid resources and achieving the performance measures is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at March 31, 2017, the Hospital met its objective of having sufficient liquid resources to meet its current obligations and the performance measures related to working capital set out in the H-SAA.

### 15. Economic Dependence

The Hospital received a significant portion of its total revenue from the Erie St. Clair LHIN and Ministry of Health and Long-Term Care.

# Leamington District Memorial Hospital

## Notes to Financial Statements for the years ended March 31

### 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, each of the Hospital's cash accounts are insured up to \$100,000 (2016 - \$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 the year end were as follows:

	<b>Total</b>	1 - 30	31 - 60	61 - 90	> 90
Inpatients	\$ 26,152	\$ 2,046	\$ 1,111	\$ 4,405	\$ 18,590
Outpatients	15,322	1,629	531	4,074	9,088
OHIP/Other provinces	762,262	367,627	371,634	10,973	12,028
MOH-LTC	309,309	-	-	-	309,309
Leamington District Memorial					
Hospital Foundation	2,479,755	-	-	600,000	1,879,755
Miscellaneous	597,159	277,270	-	-	319,889
Gross receivables	4,189,959	\$ 648,572	\$ 373,276	\$ 619,452	\$ 2,548,659
Less: allowance	(36,400)				
Net receivables	\$ 4,153,559				

The amounts aged greater than 90 days that have not had corresponding impairment allowance set up 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.

Long term receivables are aged greater than 90 days but are owing from a related entity. Management believes the balance is collectible and no allowance is necessary.

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.

# Leamington District Memorial Hospital

## Notes to Financial Statements for the years ended March 31

### 16. Financial Instrument Risk Management (Cont'd)

#### *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 guarantee on TransForm's loan and operating leases.

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 sufficient cash resources at all times. The following table sets out the contractual maturities (representing undiscounted contractual cash flows of financial liabilities):

	Within 6 months	6 months to 1 year	1 - 5 years
Accounts payable and accrued liabilities	\$ 4,214,549	\$ 571,840	\$ -
Unearned revenue	444,418	-	-
	\$ 4,658,967	\$ 571,840	\$ -

### 17. Subsequent Event

On May 16, 2017, the Ministry of Health Long Term Care has approved a name change for the Hospital effective June 1, 2017 to Erie Shores Healthcare.

### 18. Comparative Figures

Certain comparative figures have been reclassified to conform to current year's presentation.