

The Stevenson Memorial Hospital

Financial Statements

For the year ended March 31, 2018

The Stevenson Memorial Hospital

Financial Statements

For the year ended March 31, 2018

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Independent Auditor's Report

To the Board of Directors of Stevenson Memorial Hospital

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards 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 audits 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 controls 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 presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit 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 Stevenson Memorial Hospital as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

Chartered Professional Accountants, Licensed Public Accountants
June 7, 2018
Alliston, Ontario


**The Stevenson Memorial Hospital
Statement of Financial Position**

March 31	2018	2017
Assets		
Current		
Cash and cash equivalents (Note 2)	\$ 3,840,248	\$ 2,129,000
Accounts receivable - Ministry of Health and Long Term Care / Local Health Integration Network	65,387	688,491
Accounts receivable - other	1,061,879	1,027,463
Receivable from Stevenson Memorial Hospital Foundation (Note 13)	575,465	611,269
Receivable from County of Simcoe (Note 3)	-	100,941
Inventory of supplies	358,439	307,388
Prepaid expenses	407,795	363,278
Deferred lease asset (Note 12)	71,760	73,107
	6,380,973	5,300,937
Cash held for capital projects (Note 4)	-	120,632
Deferred lease asset (Note 12)	126,272	198,032
Property, buildings and equipment (Note 5)	10,001,277	8,065,967
	10,127,549	8,384,631
	\$ 16,508,522	\$ 13,685,568

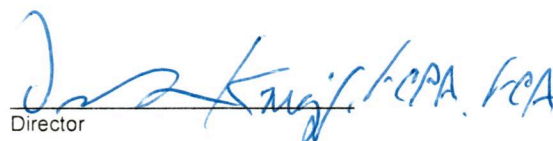
Liabilities and Net Assets

Current		
Current portion of long term bank borrowings (Note 8)	\$ 98,449	\$ -
Accounts payable and accrued liabilities	5,687,132	4,598,416
Deferred revenue	63,714	41,440
	5,849,295	4,639,856
Long term bank borrowings (Note 8)	1,384,918	-
Accrued post-employment benefits (Note 9)	541,648	521,448
Deferred contributions related to buildings and equipment (Note 7)	7,879,949	7,484,130
	9,806,515	8,005,578
	15,655,810	12,645,434
Contingencies and commitments (Notes 10, 11, 12 and 15)		
Net Assets		
Unrestricted	852,712	1,040,134
	\$ 16,508,522	\$ 13,685,568

On behalf of the Board



Director



Director

The Stevenson Memorial Hospital Statement of Operations and Net Assets

For the year ended March 31	2018	2017
Revenues		
Ministry of Health and Long Term Care / Local Health Integration Network	\$ 23,293,483	\$ 23,123,918
Other Provincial programs	736,679	736,634
Other agencies and self-pay	3,580,780	3,356,504
Differential charges	71,646	128,644
Recoveries and sales	1,019,549	1,093,431
Amortization of deferred contributions for equipment (Note 7)	712,028	831,309
	<u>29,414,165</u>	<u>29,270,440</u>
Expenses		
Salaries and wages	13,941,628	13,370,296
Employee benefits	3,579,657	3,338,431
Medical staff remuneration	3,379,751	3,209,138
Medical and surgical supplies	1,378,445	1,373,720
Drugs	688,746	680,452
Other supplies and expenses	5,271,424	5,222,434
Other Provincial programs	736,679	736,634
Amortization of equipment	677,542	805,261
Gain on disposal of equipment	-	(125,000)
	<u>29,653,872</u>	<u>28,611,366</u>
Excess (deficiency) of revenues over expenses before building amortization	(239,707)	659,074
Amortization of deferred contributions for buildings (Note 7)	422,243	428,414
Amortization of buildings	<u>(369,958)</u>	<u>(376,067)</u>
Excess (deficiency) of revenues over expenses for the year	(187,422)	711,421
Net assets, beginning of year	<u>1,040,134</u>	<u>328,713</u>
Net assets, end of year	<u>\$ 852,712</u>	<u>\$ 1,040,134</u>

**The Stevenson Memorial Hospital
Statement of Cash Flows**

For the year ended March 31	2018	2017
Cash flows from operating activities		
Excess (deficiency) of revenues over expenses for the year	\$ (187,422)	\$ 711,421
Adjustments for		
Amortization of buildings and equipment	1,047,500	1,181,328
Amortization of deferred contributions related to buildings and equipment	(1,134,271)	(1,259,723)
Employee post retirement benefits	20,200	47,448
Gain on disposal of equipment	-	(125,000)
Cash flows from (used in) operations before non-cash working capital balances	(253,993)	555,474
Changes in non-cash working capital balances		
Accounts receivable - Ministry of Health and Long Term Care / Local Health Integration Network	623,104	(431,791)
Accounts receivable - other	(34,416)	(53,821)
Receivable from Stevenson Memorial Hospital Foundation	35,804	27,760
Receivable from County of Simcoe	100,941	136,651
Inventory of supplies	(51,051)	(37,665)
Prepaid expenses	(44,517)	(1,728)
Deferred lease asset	73,107	(271,139)
Accounts payable and accrued liabilities	1,088,716	480,525
Deferred revenue	22,274	14,927
Cash provided by operating activities	1,559,969	419,193
Cash flows from capital and financing activities		
(Increase) decrease in cash held for capital projects	120,632	(120,632)
Advances on bank loan	1,483,367	-
Increase in deferred contributions related to buildings and equipment	1,530,090	1,091,177
Repayment of capital lease obligation	-	(14,879)
Net purchase of buildings and equipment	(2,982,810)	(1,251,673)
Proceeds from disposal of equipment	-	125,000
Cash provided by (used in) capital and financing activities	151,279	(171,007)
Net increase in cash during the year	1,711,248	248,186
Cash and cash equivalents, beginning of year	2,129,000	1,880,814
Cash and cash equivalents, end of year	\$ 3,840,248	\$ 2,129,000

The Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2018

1. Significant Accounting Policies

Management's Responsibility for the Financial Statements The financial statements of The Stevenson Memorial Hospital (the Hospital) are the responsibility of management.

Nature of the Organization The Hospital is a vibrant community hospital 45 minutes from Toronto providing excellent, high quality health care services to a fast-growing population in New Tecumseth and the South Simcoe region. The Hospital, incorporated without share capital under the Corporations Act (Ontario), is a charitable organization within the meaning of the Income Tax Act (Canada) and may issue tax receipts to donors. The Hospital is a not-for-profit organization and, as such, 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"). The Stevenson Memorial Hospital Foundation is a separate entity whose financial information is reported separately from the Hospital.

Contributed Services 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.

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

Under the Health Insurance Act and Regulations thereto, the Hospital operations are 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 Local Health Integration Network (LHIN).

As required by the LHIN, the Hospital entered into a Hospital Service Accountability Agreement (H-SAA) that took effect April 1, 2008 and has been extended to September 30, 2018. This agreement sets out the rights and obligations of the parties to the H-SAA in respect to funding provided to the Hospital by the 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. Effective April 1, 2016 with consultation from the LHIN, the Hospital exited from the Health Based Allocation Model (HBAM) and re-entered the Small Hospital Funding Model.

The Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2018

1. Significant Accounting Policies (continued)

Revenue Recognition (continued)

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 by the Hospital during the year may be increased or decreased subsequent to year end.

Revenue from patient services is recognized when the service is provided. Revenue from parking and food sales is recognized when the goods are sold and services provided.

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 can be reasonably estimated and collection is reasonably assured.

Restricted contributions for the purchase of property, buildings and equipment are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related property, buildings and equipment.

Inventory of Supplies

Inventory of supplies is valued at the lower of cost and net realizable value. Cost is determined on the first-in first-out basis for pharmacy, laboratory and dietary supplies. Cost for medical and general supplies is determined using a weighted average basis.

Property, Buildings and Equipment

Assets are recorded at cost less accumulated amortization. Cost includes amounts that are directly related to the acquisition, construction, development, or betterment of the tangible capital assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition, construction or development of the asset.

Purchased property, buildings and equipment are recorded at cost. Contributed property, buildings and equipment are recorded at fair value at the date of contribution. Repairs and maintenance costs are expensed. Betterments that extend the estimated life of an asset are capitalized. When property, buildings and equipment no longer contributes to the Hospital's ability to provide services or the value of future economic benefits associated with the property, buildings and equipment is less than its net book value, the carrying value of the property, buildings and equipment is reduced to reflect the decline in the asset's value.

Property, buildings and equipment are amortized on a straight-line basis over their useful lives, which have been estimated as follows:

The Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2018

1. Significant Accounting Policies (continued)

Property, Buildings and Equipment (continued)	Land improvements	8 to 25 years
	Building and building service equipment	5 to 40 years
	Major equipment	3 to 20 years
	Computer hardware and software	2 to 5 years

Costs directly involved in hospital redevelopment are capitalized. Given the nature and level of redevelopment planning activities in the year, no internal salaries were capitalized.

Construction in progress costs, including the Health Information System (HIS) and hospital redevelopment, are not amortized until construction is substantially complete and the assets are ready for use.

Leases

All leases are accounted for as operating leases wherein rental payments are expensed on a straight-line basis.

Post-employment Benefits

The Hospital provides defined post-employment benefits to certain employee groups. These benefits include health, dental and life insurance.

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 or expense 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.

The costs of the multi-employer defined benefit pension are the Hospital's contributions due to the plan in the period.

Financial Instruments

The Hospital classifies its financial instruments into the following category:

Amortized Cost

This category includes cash and cash equivalents, accounts receivable, amounts due from Stevenson Memorial Hospital Foundation, amounts due from County of Simcoe, and accounts payable and accrued liabilities. These items are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

The cash flows of the financial instruments held by the Hospital are fixed or variable. The incremental benefit of fair value measurement for cash is very limited and therefore has been classified as amortized cost.

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

The Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2018

1. Significant Accounting Policies (continued)

Financial Instruments (continued)	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.
Cash and Cash Equivalents	Cash and cash equivalents consist of cash on hand, bank balances and guaranteed investment certificates with a duration of less than twelve months from the date of acquisition.
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. Areas of key estimation include determination of allowance for doubtful accounts, the estimated useful life of buildings and equipment and actuarial estimation of post-employment benefits. Actual results could differ from these estimates.

2. Cash and Cash Equivalents

Cash and cash equivalents included in the Statement of Cash Flows comprise the following:

	2018	2017
Cash on hand and bank balances	\$ 3,340,248	\$ 1,828,251
GIC with annual interest rate of 1.15% maturing March 27, 2019, cashable on demand	500,000	300,749
Balance, end of year	\$ 3,840,248	\$ 2,129,000

3. Receivable from the County of Simcoe

As part of the financing of a building addition for the CT scanner, the County of Simcoe provided ongoing funding to the Hospital. In 2018, the remaining balance of \$100,941 was received from the County and is fully paid.

4. Cash Held for Capital Projects

The Stevenson Memorial Hospital Foundation provides contributions for information systems and hospital infrastructure which is recognized as Cash held for Capital Projects.

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

March 31, 2018

5. Property, Buildings and Equipment

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 25,809	\$ -	\$ 25,809	\$ -
Land improvements	689,841	347,550	593,961	329,563
Buildings	4,021,639	2,348,789	4,021,639	2,247,426
Building service equipment	7,205,547	4,817,261	6,965,887	4,566,653
Major equipment	18,401,107	16,642,907	17,915,147	16,028,484
Computer hardware and software	2,184,090	2,073,299	2,174,900	2,010,180
Health Information System (HIS)	2,325,578	-	417,474	-
Hospital redevelopment costs	1,377,472	-	1,133,456	-
	\$ 36,231,083	\$ 26,229,806	\$ 33,248,273	\$ 25,182,306
Net book value		\$ 10,001,277		\$ 8,065,967

In accordance with hospital practices in Ontario associated with planning for new hospitals, the MOHLTC/LHIN requires hospitals to fund their planning costs prior to approval being granted. In due course the Hospital will make application to the MOHLTC/LHIN to either recover these costs or a portion of these costs or to have these costs considered to be part of the new hospital construction. It is at the discretion of the MOHLTC/LHIN to decide whether or not to reimburse these costs. Direct costs of Hospital personnel dedicated to this planning process are included in hospital redevelopment costs.

HIS refers to the Hospital's new health information system that is currently being implemented.

\$8,883 (2017-\$nil) in interest on the revolving demand/fixed rate term loan was capitalized during the year related to the HIS project in progress.

6. Banking Facilities

The Hospital has an operating line of credit to a maximum of \$1,250,000. This credit facility bears interest at the bank's prime rate payable monthly, interest only is repayable on demand.

The Hospital has a revolving demand loan facility to a maximum of \$2,000,000. This credit facility bears interest at the bank's prime rate payable monthly, interest only is repayable on demand.

Effective March 22, 2017, in order to finance the Hospital's share of the purchase and implementation costs of the new health information system, the Hospital entered into the following new credit facility with the same bank:

The Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2018

6. Banking Facilities (continued)

Non-revolving demand/fixed rate-term loan, to a maximum of \$5,500,000. This credit facility bears interest at the bank's prime rate and is repayable in blended payments over a maximum period of 120 months following an initial 12 months of interest-only (at the Hospital's option) from date of the first draw. At the Hospital's discretion, any portion of the line may be converted to a fixed rate-term loan available in terms of 1-5, 7 and 10 years subject to the same maximum amortization period as above. Effective interest rates on any fixed-term loan are to be determined at the time of advance or conversion with interest charged in arrears. Once per calendar year the Hospital shall have the right to make a prepayment not exceeding 15% of the outstanding facility balance at the time of the prepayment.

The Hospital has a foreign exchange forward contract facility which provides the Hospital with the ability to settle a daily maximum of up to US\$300,000 for the purpose of making payments to its US based HIS software supplier. Limits of the facility are subject to replacement risk factors in existence at the time of booking. At March 31, 2018 there are no outstanding contracts.

The credit facilities are unsecured and are with a Schedule 1 bank.

7. Deferred Contributions Related to Buildings and Equipment

Deferred contributions related to buildings and equipment represent the unamortized balance of contributions received for the purchase of buildings and equipment. These restricted contributions are amortized and recorded as revenue in the statement of operations, on the same basis as the amortization of the related assets.

	2018	2017
Balance, beginning of year	\$ 7,484,130	\$ 7,652,676
Contributions received during the year	1,530,090	1,091,177
Less amounts amortized to revenue for equipment	(712,028)	(831,309)
Less amounts amortized to revenue for buildings	(422,243)	(428,414)
Balance, end of year	\$ 7,879,949	\$ 7,484,130

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

March 31, 2018

8. Long-Term Bank Borrowings

Summary

	2018	2017
HIS demand loan (a)	\$ 12,084	\$ -
HIS fixed rate term loan (b)	86,365	-
	\$ 98,449	\$ -
HIS demand loan (a)	\$ 471,283	\$ -
HIS fixed rate term loan (b)	913,635	-
	\$ 1,384,918	\$ -

Principal repayments for the next 5 years and thereafter are as follows:

	HIS a)	HIS b)
2019	\$ 12,084	\$ 86,365
2020	48,337	89,142
2021	48,337	92,010
2022	48,337	94,969
2023	48,337	98,024
Thereafter	277,935	539,490
	\$ 483,367	\$ 1,000,000

(a) At March 31, 2018 \$483,367 was outstanding as a demand loan bearing an interest rate of 3.45% (2017-\$nil). The current payments are based on a 10 year amortization and subject to change in the banks' prime rate. This facility is repayable at the hospital's option at any time. Interest only payment for the first 9 months and repayments of principal plus interest will begin January 2019. As at March 31, 2018 the Hospital was deemed to be in full compliance with its loan covenants and has received assurances from the bank that no demand for repayment shall be made in the next 12 months.

(b) At March 31, 2018 \$1,000,000 was outstanding as a fixed rate term loan bearing an interest rate of 3.17% (2017-\$nil). Payments are based on a 10 year amortization with blended payments. The loan matures March 25, 2023.

The Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2018

9. **Accrued Post-Employment Benefits**

The Hospital provides post-employment extended healthcare and dental benefits to a number of retired employees until the age of 65. From January 1, 2002, retiring Ontario Nursing Association (ONA) members are eligible for post-employment benefits, the cost of which is borne entirely by them; that is, ONA members electing coverage will pay 100% of the associated premium. This premium is typically lower than the actual cost of retiree benefits due to their higher rates of utilization. The premiums paid by retiring ONA members, therefore may not be sufficient to cover the actual costs of the benefits. This may result in an increased obligation, which generates a past service cost to the Hospital.

From April 1, 2011 full-time ONA members who reach age 57 and retire on or after April 1, 2011 are eligible for post-employment benefits and the Hospital will contribute 50% of the billed premiums of these benefit plans. The Hospital provides Ontario Public Service Employees Union (OPSEU) members who retire after age 60 with semi-private, extended health and dental benefits. OPSEU members electing coverage will pay 50% of the associated premium.

The Hospital also provides post-employment life insurance coverage to a number of employees.

The last actuarial report was conducted in March 2017, (previously done in 2013) to estimate the Hospital's accrued benefit obligation relating to post-employment benefits plans. At March 31, 2018, the Hospital's accrued benefit obligation relating to post-employment benefit plans is \$541,648 (2017 - \$521,448).

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

Discount rate	3.4% per annum (2013 – 4.0%)
Extended healthcare cost escalation	6.0% per annum (2013 – 7.0%)
Dental benefits cost escalation	2.75% per annum (2013 – 4.0%)

10. **Contingencies**

Contingent Liabilities

i) During the normal course of operations, various proceedings and claims are filed against the Hospital. The Hospital reviews the validity of these claims and proceedings and management believes any settlement would be adequately covered by its insurance policies or by accrued provisions in these financial statements based on its best estimates where insurance is not applicable. It is management's opinion that the final determination of these claims will not have a material effect on the financial position or future results of operations of the Hospital.

ii) The Hospital participates in the Healthcare Insurance Reciprocal of Canada (HIROC), pooling of the public liability insurance risks of its hospital members. Members of the pool pay annual premiums, which are actuarially determined and are expensed in the current year. These premiums are subject to further assessment for experience gains and losses, by the pool, for prior years. No assessments have been received during the year ended March 31, 2018.

The Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2018

11. Healthcare of Ontario Pension Plan (HOOPP)

HOOPP provides pension services to more than 339,000 active and retired members and approximately 540 employers. Substantially all of the full-time employees and some of the part-time employees of the Hospital are members of HOOPP. The plan is a multi-employer plan and therefore the Hospital's contributions are accounted for as if the plan were a defined contribution plan with the Hospital's contributions being expensed in the period they come due.

Each year, an independent actuary determines the funding status of HOOPP by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date.

The results of the most recent valuation as at December 31, 2017 disclosed a surplus of \$18.1 million. The results of this valuation disclosed total actuarial liabilities and pension obligations of \$160.5 million in respect of benefits accrued for service with actuarial assets at that date of \$178.7 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 by the Hospital to HOOPP during the year amounted to \$1,138,234 (2017 - \$1,085,907).

12. Commitments

Lease commitments

Effective March 2017 the Hospital entered into a non-cancellable operating lease with GE Capital for a new EVO CT Scanner. A trade-in allowance of \$125,000 was received for the fully depreciated equipment being replaced by the new CT Scanner. The term of the lease is 84 months and called for an advance rental payment of \$270,000 in the first month, which had been accrued in accounts payable and accrued liabilities in 2017, and \$3,191 a month before taxes from April 2018 until May 2025. The Hospital has the right to exercise an "Early Purchase Option" in the 78th month for \$96,333 upon appropriate notice, failing which the equipment shall be returned to the lessor at the end of term.

The minimum lease payments to term for the EVO CT Scanner lease are as follows:

2019	\$	38,292
2020		38,292
2021		38,292
2022		38,292
2023		38,292
Thereafter		38,314
	\$	<u>229,774</u>

During the year \$73,107 (2017 - \$1,600) was expensed in the statement of operations related to this lease.

The Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2018

13. Related Entities

Stevenson Memorial Hospital Foundation

The Foundation is an independent corporation incorporated without share capital which has its own independent Board of Directors and is a registered charity under the Income Tax Act (Canada). The Foundation receives and maintains funds for charitable purposes, which it contributes to the Hospital for the purchase of equipment, information systems, infrastructure, and renovations to the Hospital.

Amounts received from the Foundation are externally restricted. Accordingly, these contributions are deferred and amortized as revenue when the related assets are amortized to expense. During the year ended March 31, 2018, the Foundation approved funding requests from the Hospital totaling \$1,224,677 (2017 - \$950,369) for equipment, information systems, infrastructure and renovations for the Hospital. At March 31, 2018, \$541,751 in capital funding and \$33,714 in trade receivables is due from the Foundation (2017 - \$552,247 capital and \$59,022 trade receivables).

14. 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 equivalents and accounts receivable. The Hospital holds its cash and cash equivalents accounts with a Schedule 1 bank which is insured by the Canadian Deposit Insurance Corporation. In the event of a default, the Hospital's cash accounts are insured up to \$100,000 (2017 - \$100,000).

For patient accounts receivable, the Hospital maintains an allowance for doubtful accounts, which reduces the receivable to its estimated realizable value. The receivable is adjusted on a monthly basis. Accounts receivable are primarily due from OHIP, the MOHLTC/LHIN and patients. Credit risk is mitigated by the financial solvency of the provincial government and the highly diversified nature of the patient population.

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 interest rate risk from the possibility that changes in interest rates will affect the cash flows related to its banking facilities.

At March 31, 2018 a 1% move in interest rates, with all other variables held constant, would have a minimal impact on the cash flows related to the Hospital's banking facilities.

The Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2018

14. Financial Instrument Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the Hospital will not be able to meet all cash outflow obligations as they come due. The Hospital mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and cash flow planning and by ensuring appropriate banking facilities are in place. (see Note 6 and 16)

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

Foreign Currency Risk

Foreign currency risk is the risk that there could be a significant increase in local currency denominated costs or significant deterioration in local currency asset values caused by significant unfavorable fluctuations in exchange rates of the underlying foreign currency denominated asset or liability. The Hospital faces limited risks in this regard. It conducts no foreign based operations, it owns no foreign currency denominated assets, and the only foreign currency denominated obligation shall be paid in the next fiscal year.

15. Management Services Agreement

In 2008, the Hospital entered into a management services agreement with Southlake Regional Health Centre. The purpose of the agreement is to form a strategic association, whereby both hospitals can improve clinical services, make certain defined resources available to the hospitals and maximize efficiencies. Southlake Regional Health Centre provides management and clinical support to the Hospital in accordance with its strategic plan. The Hospital has paid \$708,579 (2017 - \$820,611) for shared support services. The agreement was amended and extended until March 31, 2019.

16. Economic Dependence

The Hospital is economically dependent on the funding it receives from the MOHLTC/LHIN.
