Strathroy Middlesex General Hospital

Financial Statements

For the year ended March 31, 2013

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Independent Auditor's Report

To the Board of Directors
Strathroy Middlesex General Hospital

We have audited the accompanying financial statements of Strathroy Middlesex General Hospital which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of changes in net assets, operations and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 audits. 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 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, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Strathroy, Ontario
May 29, 2013

Strathroy Middlesex General Hospital
Statement of Financial Position

	March 31 2013	March 31 2012	April 1 2011
Assets			
Current			
Cash	$ 3,183,636	$ 2,621,550	$ 2,555,762
Accounts receivable (Note 19)	1,544,455	667,525	993,358
Inventory (Note 6)	81,145	89,780	77,769
Prepaid expenses	155,382	111,383	151,970
	4,964,618	3,490,238	3,778,859
Capital assets (Note 7)	17,324,976	18,230,066	18,426,149
	$ 22,289,594	$ 21,720,304	$ 22,205,008
Liabilities and Net Assets			
Current			
Accounts payable and accrued liabilities (Note 5)	$ 2,962,020	$ 2,653,598	$ 2,844,507
Deferred contributions relating to operations (Note 9)	450,000	-	-
Current portion of obligation under capital lease (Note 10)	191,012	184,806	-
	3,603,032	2,838,404	2,844,507
Deferred contributions relating to capital assets (Note 9)	15,127,539	15,536,863	16,416,581
Post-employment benefits (Note 11)	835,061	807,600	533,688
Obligation under capital lease (Note 10)	506,062	697,074	-
	20,071,694	19,879,941	19,794,776
Net assets			
Internally restricted (Note 17)	600,000	600,000	600,000
Unrestricted	1,617,900	1,240,363	1,810,232
	2,217,900	1,840,363	2,410,232
	$ 22,289,594	$ 21,720,304	$ 22,205,008

On behalf of the Board of Directors:

Director

Director

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

Strathroy Middlesex General Hospital
Statement of Changes in Net Assets

For the years ended March 31			2013	2012
	Restricted (Note 17)	Unrestricted	Total	Total
Balance, beginning of year	$ 600,000	$ 1,240,363	$ 1,840,363	$ 2,410,232
Excess (deficiency) of revenues over expenditures	-	377,537	377,537	(569,869)
Balance, end of year	$ 600,000	$ 1,617,900	$ 2,217,900	$ 1,840,363

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

Strathroy Middlesex General Hospital
Statement of Operations

For the years ended March 31	2013	2012
Revenue		
Ministry of Health and Long-Term Care	$ 30,348,473	$ 29,582,257
Patient revenues	2,440,918	2,469,180
Differential and co-payment	461,575	335,244
Recoveries and miscellaneous	1,454,602	1,546,529
Amortization of deferred capital contributions, equipment	733,632	1,096,719
Other votes	650,202	656,346
	36,089,402	35,686,275
Expenses		
Salaries and wages	15,881,639	15,484,413
Employee benefits	3,650,749	3,565,992
Employee future benefits (Note 11)	77,100	335,800
Medical staff remuneration	5,496,886	5,458,862
Supplies and other expenses	5,342,488	5,808,500
Medical and surgical supplies	2,675,398	2,602,481
Drugs	608,789	594,125
Amortization - equipment (Note 7)	850,292	1,246,368
Other votes	781,082	762,300
	35,364,423	35,858,841
Operating excess of revenue over expenses	724,979	(172,566)
Other		
Amortization of deferred capital contributions, building	595,988	599,820
Amortization of buildings and land improvements (Note 7)	(943,430)	(997,123)
	(347,442)	(397,303)
Excess (deficiency) of revenue over expenses	$ 377,537	$ (569,869)

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

Strathroy Middlesex General Hospital
Statement of Cash Flows

For the years ended March 31	2013	2012
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses	$ 377,537	$ (569,869)
Items not involving cash		
Amortization	1,793,722	2,243,491
Loss (gain) on disposal of capital assets	10,746	(32,310)
Amortization of deferred contributions relating to capital assets	(1,329,619)	(1,696,539)
	852,386	(55,227)
Increase in post-employment benefits liability	27,461	273,912
Net changes in non-cash working capital balances:		
Accounts receivable	(876,930)	325,833
Inventory	8,635	(12,011)
Prepaid expenses	(43,999)	40,587
Accounts payable and accrued liabilities	308,422	(190,909)
Deferred contributions relating to operations	450,000	-
	725,975	382,185
Capital activities		
Purchase of capital assets	(935,505)	(1,059,204)
Proceeds on disposal of capital assets	36,127	32,310
Contributions received for capital assets	920,295	816,821
	20,917	(210,073)
Financing activities		
Payments on capital lease	(184,806)	(106,324)
	(184,806)	(106,324)
Increase in cash and equivalents during the year	562,086	65,788
Cash and equivalents, beginning of year	2,621,550	2,555,762
Cash and equivalents, end of year	$ 3,183,636	$ 2,621,550

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

1. Significant accounting policies

Nature of Organization

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).

The Hospital is a non-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

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"). The Strathroy Middlesex General 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 government grants.

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 Local Health Integration Network ("LHIN"). The hospital has entered into a Hospital Service Accountability Agreement (the "H-SAA") for fiscal 2013 with the Ministry and LHIN that sets out the rights and obligations of the parties to the H-SAA in respect of funding provided to the Hospital by the Ministry/LHIN. The H-SAA also sets out the performance standards and obligations of the Hospital that establish acceptable results for the Hospital's performance in a number of areas.

If the Hospital does not meet its performance standards or obligations, the Ministry/LHIN has the right to adjust funding received by the Hospital. The Ministry/LHIN is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after completion of the financial statements, the amount of Ministry/LHIN funding received by the Hospital during the year may be increased or decreased subsequent to year end.

1. Significant accounting policies (continued)

Revenue Recognition (continued)

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 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.

Capital Assets

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contributution. 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 progess 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

1. Significant accounting policies (continued)

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.

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 and the obligation under capital lease. 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.

1. Significant accounting policies (continued)

Financial Instruments (continued)

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.

Ministry of Health and Long-Term Care 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 Ministry of Health and Long-Term Care. The financial statements reflect agreed funding arrangements approved by the Ministry with respect to the year ended March 31, 2013.

Vacation Pay

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

2. **First Time Adoption Of Public Sector Accounting Standards**

The Public Sector Accounting Board (PSAB) issued new standards for government (public sector) not-for-profit organizations. For years beginning on or after January 1, 2012, government NPOs have a choice of:

1. Public sector accounting standards including PS 4200 - 4270 for government not-for-profit organizations; or
2. Public sector accounting standards

The Hospital has chosen to follow Public Sector Accounting standards including PS 4200 - 4270 for government not-for-profit organizations.

Effective April 1, 2012, the Hospital adopted the requirements of the new accounting framework, Canadian Public Sector Accounting Standards for Not-for-Profit Organizations (PSAB for Government NPOs). These are the Hospital's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time Adoption by Government Organizations have been applied. Section 2125 requires retroactive application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in the Summary of Significant Accounting Policies have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening PSAB for Government NPOs balance sheet at the date of transition of April 1, 2011 with the exception of PS 2601 - Foreign Currency Translation and PS 3450 - Financial Instruments, which has been applied with an effective date of April 1, 2012 (see Note 3 - Change in Accounting Policy).

The Hospital issued financial statements for the year ended March 31, 2012 using generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of PSAB for Government NPOs resulted in adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenses and cash flows of the Hospital. An explanation of how the transition from pre-changeover Canadian GAAP to PSAB for Government NPOs has affected the Hospital's financial position, operations, changes in net assets and cash flows is set out in the following notes and tables.

The following exemptions and exceptions were used at the date of transition to Canadian accounting standards for not-for-profit organizations:

2. First Time Adoption Of Public Sector Accounting Standards (continued)

Optional exemptions

Actuarial Gains and Losses
Pre-changeover GAAP allowed the Hospital to only recognize actuarial gains and losses that exceeded certain prescribed amounts ("the corridor approach"). PSAB for Government NPOs requires the amortization of actuarial gains and losses on post-employment benefit obligations and compensated absences to be amortized over the estimated average remaining service life of employees. Retroactive application of this approach would require the Hospital to split the cumulative actuarial gains and losses from the inception of the plan until the date of transition to PSAB for Government NPOs into a recognized portion and an unrecognized portion. The Hospital has elected to recognize all cumulative actuarial gains and losses as the date of transition to PSAB for Government NPOs directly in net assets. Actuarial gains and losses subsequent to the date of transition to PSAB for Government NPOs are accounted for in accordance with *PS 3250 - Retirement Benefits.*

Business combinations
The Hospital elected to not retroactively apply the provisions PS 2510 - Additional Areas of Consolidation to periods prior to the date of transition to PSAB for Government NPOs. As such, assets, liabilities and net assets have not been restated that may have been required if the provisions of PS 2510 had been applied retroactively.

Mandatory exceptions

Estimates
The estimates previously made by the Hospital under pre-changeover Canadian GAAP were not revised for the application of PSAB for Government NPOs except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the Hospital has not used hindsight to revise estimates.

Reconciliation of net assets and excess of revenue over expenses

In preparing these financial statements, management has amended certain accounting policies previously applied in the pre-changeover Canadian GAAP financial statements to comply with PSAB for Government NPOs. The comparative figures for March 31, 2012 were restated to reflect these adjustments. The following reconciliations and explanatory notes provide a description of the effect of the transition from pre-changeover Canadian GAAP to PSAB for Government NPOs on net assets and excess of revenues over expenses:

2. **First Time Adoption Of Public Sector Accounting Standards (continued)**

Statement of Financial Position as at April 1, 2011 - Transition Date

	Pre-changeover Canadian GAAP	Adjustments	PSAB for Goverment NPOs
Liabilities			
Post-employment benefits	130,988	402,700	533,688
Net Assets			
Operating	$ 2,812,932	$ (402,700)	$ 2,410,232

Statement of Financial Position for the year-ended March 31, 2012

	Pre-changeover Canadian GAAP	Adjustments	PSAB for Goverment NPOs
Liabilities			
Post-employment benefits	$ 217,000	$ 590,600	$ 807,600
Net Assets			
Operating	$ 2,430,963	$ (590,600)	$ 1,840,363

2. First Time Adoption Of Public Sector Accounting Standards (continued)

Statement of Operations for the year-ended March 31, 2012

	Sub-note	Pre-changeover Canadian GAAP	Adjustments	PSAB Government NPOs
Expenses				
Employee benefits	(i), (ii), (iii)	$ 147,900	$ 187,900	$ 335,800
Deficiency of revenue over expenses	(i), (ii), (iii)	$ (381,969)	$ (187,900)	$ (569,869)

Statement of Cash Flows for the year-ended March 31, 2012

The transition to PSAB for Government NPOs had no impact on total operating or financing activities on the statement of cash flows. The change in excess of revenues over expenses for year-ended March 31, 2012 has been offset by adjustments to operating activities. The transition to PSAB for Government NPOs resulted in the reclassification of cash receipts and outflows relating to the acquisition of tangible capital assets from investing activities to capital activities. The capital section of the statement of cash flows did not exist prior to the transition to PSAB for Government NPOs.

Explanations for Adjustments to PSAB for Government NPOs

(i) Amortization of Actuarial Gains/Losses

As discussed in Note 2 - First Time Adoption of Public Sector Accounting Standards, Optional Exemptions, the Hospital has elected to recognize actuarial gains and losses at the date of transition to PSAB for Government NPOs directly in net assets. As a result, the Hospital has recognized an increased liability and a charge to net assets as described in the tables above.

(ii) Discount Rate Used to Calculate Post-Employment Benefits and Compensated Absences Liabilities

PSAB for Government NPOs requires these liabilities to be calculated with a discount rate that is equal to either the Hospital's rate of borrowing or the rate of return on the plan assets. Pre-changeover GAAP required the discount rate to be equal to the yield on high quality corporate bonds. The Hospital has chosen to discount these liabilities using its internal rate of borrowing. The change in the discount rate resulted in changes to the related liabilities and charges to net income as described in the tables above.

2. First Time Adoption Of Public Sector Accounting Standards (continued)

(iii) Immediate Recognition of Plan Amendments

PSAB for Government NPOs requires the immediate recognition of the effect of plan amendments, whereas pre-changeover GAAP required the effect of the plan amendments to be amortized based on the estimated average remaining service life of the affected employee group. The Hospital had unamortized amounts relating to a plan amendment in the form of the recognition of compensation for past service pursuant to an amended collective bargaining agreement. This change has resulted in an increase in post-employment benefit liabilities and a decrease in net assets as described in the tables above.

3. Change in Accounting Policy

On April 1, 2012, the Hospital adopted Public Accounting Standards PS 1201 - Financial Statement Presentation, PS 2601 - Foreign Currency Translation and PS 3450 - Financial Instruments. The standards were adopted prosectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign curency transactions.

Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the Hospital's accounting policy choices (see Note 1 - Significant Accounting Policies).

In accordance with the provisions of this new standard, there were no adjustments reflected in the Hospital's financial statements.

4. 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	$ 3,183,636	$ -	$ 3,183,636
Accounts receivable	-	1,544,455	1,544,455
Accounts payable and accrued liabilities	-	2,962,020	2,962,020
	$ 3,183,636	$ 4,506,475	$ 7,690,111

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.

5. Accounts payable and accrued liabilities

	2013	2012
Ministry of Health and Long-term Care	$ 175,051	$ 108,243
Trade	353,410	141,738
Wages and other accruals	2,433,559	2,403,617
	$ 2,962,020	$ 2,653,598

6. Inventory

	2013	2012
Pharmacy inventory	$ 81,145	$ 89,780

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

7. Capital Assets

	2013		2012	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 92,528	$ -	$ 92,528	$ -
Building and related service equipment	29,782,178	16,016,761	29,777,827	15,073,331
Major equipment	19,390,190	16,315,985	21,850,416	18,420,757
Construction in progress	392,826	-	3,383	-
	$ 49,657,722	$ 32,332,746	$ 51,724,154	$ 33,494,088
Net book value		$ 17,324,976		$ 18,230,066

The amortization charge for the year is as follows:

	2013	2012
Building	$ 943,430	$ 997,123
Equipment	850,292	1,246,368
	$ 1,793,722	$ 2,243,491

Included in major equipment is equipment under capital lease with a cost of $988,204 (2012 - $988,204) and accumulated amortization of $247,050 (2012 - $123,525). Amortization expense includes amortization on equipment under capital lease of $247,050 (2012 - $123,525).

8. Bank Indebtedness

As at March 31, 2013, the Hospital had $2,500,000 in available credit (2012 - $2,500,000), consisting of a $1,500,000 operating line and $1,000,000 in available transfers from Four Counties Health Services. At year end, neither facility was drawn upon.

9. Deferred Contributions

Deferred Contributions Relating to Operations

Deferred operating contributions consist of HIRF funding received for asbestos abatement.

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.

	2013	2012
Balance, beginning of year	**$ 15,536,863**	$ 16,416,581
Contributions received	**920,295**	816,821
Amortized to revenue	**(1,329,619)**	(1,696,539)
Balance, end of year	**$ 15,127,539**	$ 15,536,863

As at March 31, 2013 there was $1,110,983 (2012 - $660,889) of deferred capital contributions received which were not spent.

10. Obligation Under Capital Lease

	2013	2012
Obligation under capital lease - 3.33%, due December, 2016, repayable in semi-annual instalments of $106,324 principal and interest	$ 697,074	$ 881,880
Less current portion	191,012	184,806
	$ 506,062	$ 697,074

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

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

Year	Amount
2014	$ 191,012
2015	197,425
2016	204,054
2017	104,583
	$ 697,074

11. Post-Employment Benefits

The following tables outline the components of the Hospital's post-employment benefits and the related expenses:

	2013	2012
Accrued employee future benefits obligations	$ 930,400	$ 867,500
Unamortized actuarial loss	95,339	59,900
Accrued Benefit Liability - end of year	$ 835,061	$ 807,600

	2013	2012
Current year benefit cost	$ 31,500	$ 25,900
Interest on accrued benefit obligation	40,700	44,700
Plan amendment	-	265,200
Amortized actuarial (gain)/loss	4,900	-
Total expense	$ 77,100	$ 335,800

11. Post-Employment Benefits - continued

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

Retirement Benefits

<u>HOOP Pension Plan</u>

Substantially all of the full-time employees and some of the part-time employees are members of HOOP. The plan is a multi-employer plan and therefore the Hospital's contributions are accounted for as if the plan were defined contribution plan with the Hospital's contributions being expensed in the period they come due. Contributions made to the plan during the year by the Hospital and employees amounted to $1,411,491 (2012 - $1,387,497) and $1,116,950 (2012 - $1,101,188) respectively.

Post-Employment Benefits

The Hospital extends post employment life insurance, health and dental benefits to certain employee groups subsequent to their retirement. The Hospital recognizes these benefits as they are earned during employees' tenure of service. The related benefit liability was determined by an actuarial valuation study.

The major actuarial assumptions employed for the valuations are as follows:

a) Discount rate

The present value as at March 31, 2013 of the future benefits was determined using a discount rate of 3.94% (2012 - 4.69%).

b) Drug Costs

Drug costs were assumed to increase at a 8.8% rate for 2013 (2012 - 9%) and decrease proportionately thereafter to an ultimate rate of 4.5% in 2022 for fiscal 2013 (2012 - 4.5%).

c) Hospital and other medical

Hospital and other medical costs were assumed to increase at 4.5% per annum in 2013 (2012 - 4.5%).

Medical premium increases were assumed to increase at 8.8% per annum in 2013 (2012 - 9%) and decrease proportionately thereafter to an ultimate rate of 4.5% in 2022 for fiscal 2013 (2012- 4.5%). Medical premiums are assumed to increase the same rate as the drug costs.

d) Dental Costs

Dental costs were assumed to increase at 4.5% per annum in 2013 (2012 - 4.5%).

12. 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).

At March 31, 2013, the Hospital has a receivable from the Foundation of $50,000 (2012 - $Nil). During the year, the Foundation transferred $519,032 (2012- $599,000) to the Hospital to be used for the purchase of capital assets and $243,285 (2012 - $344,720) 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 $934,065 (2012 - $779,928) from Four Counties Health Services, and reimbursed Four Counties Health Services $420,430 (2012 - $405,006) for remuneration paid by Four Counties Health Services. Joint purchases of supplies are expensed to each Hospital at point of purchase.

13. Economic Dependence

The Hospital received 84% of its total revenue for the year ended March 31, 2013 (2012 - 83%) from the Southwest LHIN and Ministry of Health and Long-Term Care.

14. Joint Venture Agreement

The Hospital was part of an agreement with the Regional Shared Services ("RSS") which was initially formed by the Thames Valley Hospital Planning Partnership ("TVHPP") to develop and operate a shared electronic health information management system. An agreement was executed by all involved hospitals in order to outline the rights, obligations and duties of each joint venture partner. The Hospital had an economic interest in RSS and paid to the RSS its share of capital, staffing and operating costs incurred by the RSS. The shared assets of the RSS resided on the financial statements of the London Health Sciences Centre ("LHSC"). The Hospital accounted for the joint venture on an equity basis.

Effective July 21, 2011 the parties revised their contractual relationship in order to adopt a purchased service model for existing services, and to create advisory and decision-making committees composed of London Health Sciences Centre and St. Joseph's Health Care, London, collectively known as the Service Provider, and the Customers.

15. 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. In calendar year 2012, Michael Mazza, Chief Executive Officer of the Middlesex Hospital Alliance received salary of $214,676 and taxable benefits of $9,024; Nancy Maltby-Webster, Chief Operating Officer of the Middlesex Hospital Alliance received salary of $144,796 and taxable benefits of $7,722; Gina Taylor, Director of Patient Care received salary of $128,725 and taxable benefits of $458; Marianne Lewis, Registered Nurse received salary of $110,930 and taxable benefits of $461; Nancy Switzer, Registered Nurse received salary of $103,328 and taxable benefits of $362; and Elisabeth DaRocha, Registered Nurse received salary of $101,332 and taxable benefits of $326. 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).

16. 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.

The Hospital participates in the Healthcare Insurance Reciprocal of Cananda ("HIROC"), a pooling of the public liability insurance risks of its hospital members. Members of the pool pay annual premiums, which are actuarially determined. Members are subject to assessment for losses, if any, experienced by the pool for the year in which they were members. No assessment have been made to March 31, 2013 with repsect to claims.

17. Internally Restricted Net Assets

$600,000 (2012 - $600,000) of net surplus has been internally restricted for future capital asset purchases.

18. Supplementary Information

Additional cash flow information is as follows:

	2013	2012
Interest paid in the year	**27,841**	9,389
Interest received in the year	**18,407**	29,365

19. 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 it 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 (2012 - $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	1-30 days	31-60 days	61-90 days	> 90 days
Inpatients	$ 61,177	$ 54,592	$ 3,345	$ 210	$ 2,985	$ 45
Outpatients	47,125	33,523	4,623	7,038	1,244	697
OHIP	264,801	207,251	52,235	1,705	1,795	1,815
Ministry of Health and Long-Term Care	886,658	886,658	-	-	-	-
Miscellaneous	303,694	298,923	4,655	-	-	116
Gross receivables	1,563,455	1,480,947	64,858	8,953	6,024	2,673
Less: impairment allowances	(19,000)	-	-	-	-	-
Net receivables	$1,544,455	$1,480,947	$ 64,858	$ 8,953	$ 6,024	$ 2,673

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 quaility of debtors and their past history of payment.

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

19. Financial Instrument Risk Management (continued)

Market risk

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

	Within 6 months	6 months to 1 year	1 - 5 years
Accounts payable	$ 2,962,020	$ -	$ -
Obligation under capital lease	94,717	96,294	506,063
	$ 3,056,737	$ 96,294	$ 506,063

20. Comparative Information

The comparative information presented in the financial statements has been restated to conform to the current year's presentation.