

**Strathroy Middlesex General Hospital**  
**Financial Statements**  
**For the year ended March 31, 2014**

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**Financial Statements**  
For the year ended March 31, 2014

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## Independent Auditor's Report

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To the Board of Directors  
Strathroy Middlesex General Hospital

We have audited the accompanying financial statements of Strathroy Middlesex General Hospital which comprise the statement of financial position as at March 31, 2014 and the statement of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Strathroy Middlesex General Hospital as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

*BDO Canada LLP*

Chartered Accountants, Licensed Public Accountants

Strathroy, Ontario  
May 22, 2014


## Strathroy Middlesex General Hospital Statement of Financial Position

March 31	2014	2013
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 2,694,904	\$ 3,183,636
Accounts receivable (Note 17)	980,926	1,544,455
Inventory (Note 4)	88,217	81,145
Prepaid expenses	234,064	155,382
	3,998,111	4,964,618
Capital assets (Note 5)	17,974,169	17,324,976
	\$ 21,972,280	\$ 22,289,594

### Liabilities and Net Assets

<b>Current</b>		
Accounts payable and accrued liabilities (Note 3)	\$ 4,038,518	\$ 2,962,020
Deferred contributions relating to operations (Note 7)	450,000	450,000
Current portion of obligation under capital lease (Note 8)	197,425	191,012
	4,685,943	3,603,032
Deferred contributions relating to capital assets (Note 7)	14,239,505	15,127,539
Post-employment benefits (Note 9)	846,200	835,061
Obligation under capital lease (Note 8)	308,637	506,062
	20,080,285	20,071,694
<b>Net assets</b>		
Internally restricted (Note 15)	600,000	600,000
Unrestricted	1,291,995	1,617,900
	1,891,995	2,217,900
	\$ 21,972,280	\$ 22,289,594

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 year ended March 31	2014		2013
	Restricted (Note 17)	Unrestricted	Total
Balance, beginning of year	\$ 600,000	\$ 1,617,900	\$ 2,217,900
Excess (deficiency) of revenues over expenditures	-	(325,905)	377,537
Balance, end of year	\$ 600,000	\$ 1,291,995	\$ 1,891,995
			\$ 2,217,900

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

## Strathroy Middlesex General Hospital Statement of Operations

For the year ended March 31	2014	2013
<b>Revenue</b>		
Ministry of Health and Long-Term Care	\$ 30,810,602	\$ 30,348,473
Patient revenues	2,573,174	2,440,918
Differential and co-payment	420,843	461,575
Recoveries and miscellaneous	1,619,655	1,454,602
Amortization of deferred capital contributions, equipment	687,712	733,632
Other votes	671,620	650,202
	<u>36,783,606</u>	<u>36,089,402</u>
<b>Expenses</b>		
Salaries and wages	16,350,862	15,881,639
Employee benefits	3,723,424	3,650,749
Employee future benefits (Note 9)	81,800	77,100
Medical staff remuneration	5,791,844	5,496,886
Supplies and other expenses	5,621,325	5,342,488
Medical and surgical supplies	2,966,832	2,675,398
Drugs	583,390	608,789
Amortization - equipment (Note 5)	818,141	850,292
Other votes	807,756	781,082
	<u>36,745,374</u>	<u>35,364,423</u>
<b>Operating excess of revenue over expenses</b>	<u>38,232</u>	<u>724,979</u>
<b>Other</b>		
Amortization of deferred capital contributions, building	597,131	595,988
Amortization of buildings and land improvements (Note 5)	(961,268)	(943,430)
	<u>(364,137)</u>	<u>(347,442)</u>
<b>(Deficiency) excess of revenue over expenses</b>	<u>\$ (325,905)</u>	<u>\$ 377,537</u>

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

## Strathroy Middlesex General Hospital Statement of Cash Flows

For the year ended March 31	2014	2013
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
(Deficiency) excess of revenues over expenses	\$ (325,905)	\$ 377,537
Items not involving cash		
Amortization	1,779,409	1,793,722
(Gain) loss on disposal of capital assets	(7,408)	10,746
Amortization of deferred contributions relating to capital assets	(1,284,843)	(1,329,619)
Increase in post-employment benefits liability	11,139	27,461
	172,392	879,847
Net changes in non-cash working capital balances:		
Accounts receivable	563,529	(876,930)
Inventory	(7,072)	8,635
Prepaid expenses	(78,682)	(43,999)
Accounts payable and accrued liabilities	1,076,498	308,422
Deferred contributions relating to operations	-	450,000
	1,726,665	725,975
<b>Capital activities</b>		
Purchase of capital assets	(2,428,602)	(935,505)
Proceeds on disposal of capital assets	7,408	36,127
Contributions received for capital assets	396,809	920,295
	(2,024,385)	20,917
<b>Financing activities</b>		
Payments on capital lease	(191,012)	(184,806)
<b>(Decrease) increase in cash and equivalents during the year</b>	(488,732)	562,086
Cash and equivalents, beginning of year	3,183,636	2,621,550
<b>Cash and equivalents, end of year</b>	\$ 2,694,904	\$ 3,183,636

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

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# Strathroy Middlesex General Hospital

## Notes to Financial Statements

March 31, 2014

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### 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 2014 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.



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# Strathroy Middlesex General Hospital

## Notes to Financial Statements

March 31, 2014

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

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

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

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# Strathroy Middlesex General Hospital

## Notes to Financial Statements

March 31, 2014

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### 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.

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# Strathroy Middlesex General Hospital

## Notes to Financial Statements

March 31, 2014

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### 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, 2014.

**Vacation Pay**

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

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

March 31, 2014

**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.

	2014			2013		
	Fair Value	Amortized Cost	Total	Fair Value	Amortized Cost	Total
Cash	\$2,694,904	\$ -	\$2,694,904	\$3,183,636	\$ -	\$3,183,636
Accounts receivable	-	980,926	980,926	-	1,544,455	1,544,455
Accounts payable and accrued liabilities	-	4,038,518	4,038,518	-	2,962,020	2,962,020
	<u>\$2,694,904</u>	<u>\$5,019,444</u>	<u>\$7,714,348</u>	<u>\$3,183,636</u>	<u>\$4,506,475</u>	<u>\$7,690,111</u>

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.

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

March 31, 2014

**3. Accounts Payable and Accrued Liabilities**

	2014	2013
Ministry of Health and Long-term Care	\$ 121,467	\$ 175,051
Trade	1,350,785	353,410
Wages and other accruals	2,566,266	2,433,559
	<b>\$ 4,038,518</b>	<b>\$ 2,962,020</b>

**4. Inventory**

	2014	2013
Pharmacy inventory	<b>\$ 88,217</b>	<b>\$ 81,145</b>

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

**5. Capital Assets**

	2014		2013	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 92,528	\$ -	\$ 92,528	\$ -
Building and related service equipment	30,073,848	16,978,029	29,782,178	16,016,761
Major equipment	19,944,922	17,134,126	19,390,190	16,315,985
Construction in progress	1,975,026	-	392,826	-
	<b>\$ 52,086,324</b>	<b>\$ 34,112,155</b>	<b>\$ 49,657,722</b>	<b>\$ 32,332,746</b>
Net book value		<b>\$ 17,974,169</b>		<b>\$ 17,324,976</b>

The amortization charge for the year is as follows:

	2014	2013
Building	\$ 961,268	\$ 943,430
Equipment	818,141	850,292
	<b>\$ 1,779,409</b>	<b>\$ 1,793,722</b>

Included in major equipment is equipment under capital lease with a cost of \$988,204 (2013 - \$988,204) and accumulated amortization of \$370,575 (2013 - \$247,050). Amortization expense includes amortization on equipment under capital lease of \$123,525 (2013 - \$123,525).

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## Strathroy Middlesex General Hospital

### Notes to Financial Statements

March 31, 2014

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#### 6. Bank Indebtedness

As at March 31, 2014, the Hospital had \$2,500,000 in available credit (2013 - \$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.

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#### 7. 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.

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 15,127,539	\$ 15,536,863
Contributions received	396,809	920,295
Amortized to revenue	<u>(1,284,843)</u>	<u>(1,329,619)</u>
Balance, end of year	<u>\$ 14,239,505</u>	<u>\$ 15,127,539</u>

As at March 31, 2014 there was \$1,088,099 (2013 - \$1,110,983) of deferred capital contributions received which were not spent.

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

March 31, 2014

**8. Obligation Under Capital Lease**

	2014	2013
Obligation under capital lease - 3.33%, due December, 2016, repayable in semi-annual instalments of \$106,324 principal and interest	\$ 506,062	\$ 697,074
Less current portion	197,425	191,012
	\$ 308,637	\$ 506,062

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

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

Year	Amount
2015	\$ 197,425
2016	204,054
2017	104,583
	\$ 506,062

**9. Post-Employment Benefits**

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

	2014	2013
Accrued employee future benefits obligations	\$ 892,100	\$ 930,400
Unamortized actuarial loss	45,900	95,339
Accrued Benefit Liability - end of year	\$ 846,200	\$ 835,061

	2014	2013
Current year benefit cost	\$ 36,100	\$ 31,500
Interest on accrued benefit obligation	36,500	40,700
Amortized actuarial loss	9,200	4,900
Total expense	\$ 81,800	\$ 77,100

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## Strathroy Middlesex General Hospital

### Notes to Financial Statements

March 31, 2014

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#### 9. 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

Substantially all of the full-time employees and some of the part-time employees are members of Healthcare of Ontario Pension Plan (HOOPP). 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 \$1,498,884 (2013 - \$1,411,491) and \$1,188,282 (2013 - \$1,116,950) 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, 2014 of the future benefits was determined using a discount rate of 4.36% (2013 - 3.94%).

b) Drug Costs

Drug costs were assumed to increase at a 8.6% rate for 2014 (2013 - 8.8%) and decrease proportionately thereafter to an ultimate rate of 4.5% in 2022.

c) Hospital and other medical

Hospital and other medical costs were assumed to increase at 4.5% per annum in 2014 (2013 - 4.5%).

Medical premium increases were assumed to increase at 8.6% per annum in 2014 (2013 - 8.8%) and decrease proportionately thereafter to an ultimate rate of 4.5% in 2022. Medical premiums are assumed to increase at the same rate as the drug costs.

d) Dental Costs

Dental costs were assumed to increase at 4.5% per annum in 2014 (2013 - 4.5%).



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# Strathroy Middlesex General Hospital

## Notes to Financial Statements

March 31, 2014

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### 10. Related Entities

#### a) Strathroy Middlesex General Hospital Foundation

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

At March 31, 2014, the Hospital has a receivable from the Foundation of \$nil (2013 - \$50,000). During the year, the Foundation transferred \$824,512 (2013- \$519,032) to the Hospital to be used for the purchase of capital assets and \$220,238 (2013 - \$243,285) for operations (education and capital lease).

#### b) Strathroy Middlesex General Hospital Auxiliary

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

#### c) Four Counties Health Services

Strathroy Middlesex General Hospital is related to Four Counties Health Services as they are controlled by the same board of directors. Staff resources are shared by the hospital. During the year, Strathroy Middlesex General Hospital recovered remuneration of \$1,147,939 (2013 - \$934,065) from Four Counties Health Services, and reimbursed Four Counties Health Services \$339,082 (2013 - \$420,430) for remuneration paid by Four Counties Health Services. Joint purchases of supplies are expensed to each Hospital at point of purchase.

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### 11. Economic Dependence

The Hospital received 84% of its total revenue for the year ended March 31, 2014 (2013 - 84%) from the Southwest LHIN and Ministry of Health and Long-Term Care.

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### 12. Capital Management

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

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

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## Strathroy Middlesex General Hospital

### Notes to Financial Statements

March 31, 2014

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#### 12. Capital Management (Continued)

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

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

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#### 13. Public Sector Salary Disclosure Act

The Public Sector Salary Disclosure Act requires that the Hospital disclose in its annual statement, the amount of salary and benefits paid in excess of \$100,000. In calendar year 2013, Todd Stepanuik, President and Chief Executive Officer of the Middlesex Hospital Alliance received salary of \$113,940 and taxable benefits of \$422; Nancy Maltby-Webster, Chief Operating Officer of the Middlesex Hospital Alliance received salary of \$143,805 and taxable benefits of \$7,727; Gina Taylor, Director of Patient Care received salary of \$126,891 and taxable benefits of \$473; Marianne Lewis, Registered Nurse received salary of \$108,982 and taxable benefits of \$534; Nancy Switzer, Registered Nurse received salary of \$101,642 and taxable benefits of \$370; Liz Kendall, Director of Human Resources received salary of \$102,005 and taxable benefits of \$400; and Patricia De Ruiter, Director of Diagnostic Services received salary of \$101,716 and taxable benefits of \$400. Generally, the Act defines salary as the amount received by an employee required by the Income Tax Act (Canada) and defines benefits as amounts reported to Revenue Canada, Taxation, under the Income Tax Act (Canada).

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#### 14. Contingencies

The Hospital has been named defendant in certain legal actions. The final liability, if any, of these claims is indeterminable as the Hospital has established defense actions and further, in the opinion of legal counsel and the Hospital's insurance adjustors, should any claim be successful, it would be subject to material coverage by the hospital's policies of insurance. See Note 18 regarding HIROC contingencies.

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#### 15. Internally Restricted Net Assets

\$600,000 (2013 - \$600,000) of net surplus has been internally restricted for future capital asset purchases.

## Strathroy Middlesex General Hospital Notes to Financial Statements

March 31, 2014

### 16. Supplementary Information

Additional cash flow information is as follows:

		2014		2013
Interest paid in the year	\$	21,636	\$	27,841
Interest received in the year		22,331		18,407

### 17. Financial Instrument Risk Management

#### Credit risk

Credit risk is the risk of financial loss to the Hospital if a debtor fails to make payments of interest and principal when due. The Hospital is exposed to this risk relating to its cash and accounts receivable. The Hospital holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the Hospital's cash accounts are insured up to \$100,000 (2013 - \$100,000).

Accounts receivable is primarily due from OHIP, the Ministry of Health and Long-Term Care and patients. Credit risk is mitigated by the financial solvency of the provincial government and the highly diversified nature of the patients population.

The Hospital measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Hospital's historical experience regarding collection. The amounts outstanding at year end were as follows:

	Past Due					
	Total	Current	31-60 days	61-90 days	91-120 days	> 120 days
Inpatients	\$ 61,807	\$ 31,968	\$ 14,271	\$ 823	\$ 14,745	\$ -
Outpatients	48,910	27,732	7,598	4,654	4,562	4,364
OHIP	276,070	222,824	52,749	393	-	104
Ministry of Health and Long-Term Care	17,275	17,275	-	-	-	-
Miscellaneous	597,864	597,296	49	489	-	30
Gross receivables	1,001,926	897,095	74,667	6,359	19,307	4,498
Less: impairment allowances	(21,000)	(19,000)	(2,000)	-	-	-
Net receivables	\$ 980,926	\$ 878,095	\$ 72,667	\$ 6,359	\$ 19,307	\$ 4,498

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

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

March 31, 2014

**17. Financial Instrument Risk Management (Continued)**

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

Market risk

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

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

Interest rate risk

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

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

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

Liquidity rate risk

Liquidity risk is the risk that the Hospital will not be able to meet all cash outflow obligations as they come due. The Hospital mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. The follow table sets out the contractual maturities (representing undiscounted contractual cash-flows of financial liabilities):

	6 months	6 months to 1 year	1 - 5 years
Accounts payable	\$ 4,038,518	\$ -	\$ -
Obligation under capital lease	97,898	99,528	308,637
	<u>\$ 4,136,416</u>	<u>\$ 99,528</u>	<u>\$ 308,637</u>

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## Strathroy Middlesex General Hospital

### Notes to Financial Statements

March 31, 2014

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#### 18. HIROC

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

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