

Financial Statements of

**BROCKVILLE GENERAL
HOSPITAL**

Year ended March 31, 2018

Independent Auditors' Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets (Deficiency)

Statement of Cash Flows

Notes to Financial Statements



KPMG LLP
863 Princess Street, Suite 400
Kingston ON K7L 5N4
Canada
Telephone 613-549-1550
Fax 613-549-6349

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Brockville General Hospital

We have audited the accompanying financial statements of the Brockville General Hospital, which comprise the statement of financial position as at March 31, 2018, the statements of operations, changes in net assets (deficiency) and cash flows for the year then ended, and notes, comprising 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, 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.

Auditors' 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 our 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, we consider 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, the financial statements present fairly, in all material respects, the financial position of the Brockville General Hospital as at March 31, 2018, its results of operations, its changes in net assets (deficiency) its cash flows and the remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 21, 2018

BROCKVILLE GENERAL HOSPITAL

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Receivable from Ministry of Health and Long-Term Care	\$ 636,327	\$ –
Accounts receivable	2,938,606	1,850,760
Inventory of supplies	888,015	814,551
Prepaid expenses	700,127	652,193
	<u>5,163,075</u>	<u>3,317,504</u>
Loan receivable from Brockville and District Hospital Foundation re JEJ Bequest Fund (note 2)	498,675	547,278
Capital assets (note 3)	62,797,946	60,857,400
	<u>\$ 68,459,696</u>	<u>\$ 64,722,182</u>
Liabilities, Deferred Contributions and Net Assets (Deficiency)		
Current liabilities:		
Bank indebtedness (note 9)	\$ 8,890,975	\$ 5,935,723
Deferred revenue	–	463,750
Accounts payable and accrued liabilities	11,119,793	12,140,907
Bank loans payable (note 4)	13,134,168	14,905,011
	<u>33,144,936</u>	<u>33,445,391</u>
Accrued employee future benefits liability (note 5(a))	3,688,100	3,848,300
Deferred contributions (note 6):		
Expenses of future periods	729,699	692,902
Capital assets	50,741,979	46,585,558
	<u>51,471,678</u>	<u>47,278,460</u>
Net assets (deficiency):		
Invested in capital assets (note 7(a))	2,372,922	2,817,954
Other internally restricted (note 8(a))	124,926	170,298
Externally restricted endowments (note 8(b))	19,397	19,397
Unrestricted deficiency	(22,362,263)	(22,857,618)
	<u>(19,845,018)</u>	<u>(19,849,969)</u>
Contingencies (note 10)		
Commitments (note 11)		
Subsequent event (note 17)		
	<u>\$ 68,459,696</u>	<u>\$ 64,722,182</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

BROCKVILLE GENERAL HOSPITAL

Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Provincial Ministry of Health and Long-Term Care	\$ 66,897,784	\$ 61,958,769
Provincial insurance plan	7,028,222	6,817,028
Patient revenue from other payers	789,307	797,197
Co-payments	203,080	189,554
Preferred accommodation	343,429	390,770
Funding for other programs	2,297,101	2,099,292
Amortization of deferred contributions for equipment capital assets	752,985	750,004
Recoveries and other revenue	3,610,487	3,292,078
Investment income (note 12)	6,175	88,138
	<u>81,928,570</u>	<u>76,382,830</u>
Expenses:		
Medical staff remuneration	8,569,405	8,283,000
Employee salary and benefits	53,694,585	55,247,482
Employee future benefits recovery	(160,200)	(146,700)
Drugs	1,177,660	1,275,518
Medical and surgical supplies	3,787,059	3,931,769
Supplies and other expenses	12,169,847	11,290,735
Interest	513,133	459,685
Amortization of equipment	1,854,013	1,775,942
	<u>81,605,502</u>	<u>82,117,431</u>
Excess (deficiency) of revenue over expenses before undernoted items	323,068	(5,734,601)
Amortization of deferred contributions related to capital assets - building	1,435,931	1,400,000
Amortization of capital assets - building	(1,754,048)	(1,694,905)
Excess (deficiency) of revenue over expenses	<u>\$ 4,951</u>	<u>\$ (6,029,506)</u>

See accompanying notes to financial statements.

BROCKVILLE GENERAL HOSPITAL

Statement of Changes in Net Assets (Deficiency)

Year ended March 31, 2018, with comparative information for 2017

	Invested in capital assets (note 7(a))	Other internally restricted (note 8(a))	Externally restricted endowments (note 8(b))	Unrestricted	2018 Total	2017 Total
Balance, beginning of year	\$ 2,817,954	\$ 170,298	\$ 19,397	\$ (22,857,618)	\$ (19,849,969)	\$ (13,820,463)
Excess (deficiency) of revenue over expenses	(1,419,145)	–	–	1,424,096	4,951	(6,029,506)
Investment in capital assets	974,113	–	–	(974,113)	–	–
Internally imposed restrictions	–	(45,372)	–	45,372	–	–
Balance, end of year	\$ 2,372,922	\$ 124,926	\$ 19,397	\$ (22,362,263)	\$ (19,845,018)	\$ (19,849,969)

See accompanying notes to financial statements.

BROCKVILLE GENERAL HOSPITAL

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 4,951	\$ (6,029,506)
Items not involving cash:		
Amortization of deferred contributions for capital assets	(2,188,916)	(2,150,004)
Amortization of capital assets	3,608,061	3,470,847
Decrease in accrued employee future benefits liability	(160,200)	(146,700)
Cash provided by (used in) the following operational balances:		
Receivable from Ministry of Health and Long-Term Care	(636,327)	876,118
Accounts receivable	(1,087,846)	1,217,527
Receivable, JEJ Bequest Fund	48,603	(18,145)
Inventory of supplies	(73,464)	(87,833)
Prepaid expenses	(47,934)	82,313
Accounts payable and accrued liabilities	(1,021,114)	4,200,627
Deferred revenue	(463,750)	(86,250)
Deferred contributions received for future expenses	36,797	4,970
	(1,981,139)	1,333,964
Capital activities:		
Purchase of capital assets	(5,548,607)	(2,276,355)
Deferred contributions received for capital assets	6,345,337	290,108
	796,730	(1,986,247)
Financing activities:		
Proceeds from long-term debt	–	3,500,000
Principal payments on debt	(1,770,843)	(1,519,112)
	(1,770,843)	1,980,888
Decrease (increase) in bank indebtedness	(2,955,252)	1,328,605
Bank indebtedness, beginning of year	(5,935,723)	(7,264,328)
Bank indebtedness, end of year	\$ (8,890,975)	\$ (5,935,723)

See accompanying notes to financial statements.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

The Brockville General Hospital, (the "Hospital") was incorporated in 1885 under an Act respecting Benevolent, Provident and other Societies, being Chapter 167 of the Revised Statutes of Ontario, 1877. Its principal activity is the operation of a health care facility in Brockville, Ontario. The Brockville General Hospital is a registered charity under the Income Tax Act (Canada) and is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

For the period from October 5, 2016 to April 1, 2018, the Province of Ontario appointed a supervisor to review and recommend improvement of the financial and organizational issues that Brockville General Hospital was experiencing.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

(a) Revenue recognition:

The Hospital is funded primarily by the Ontario Ministry of Health and Long-Term Care (MOHLTC) and the South East Local Health Integration Network (LHIN). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued.

The Hospital follows the deferral method of accounting for contributions, which include donations and government grants. These financial statements reflect agreed arrangements approved by the MOHLTC and LHIN with respect to the year ended March 31, 2018.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenditures are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Contributions of non-amortizable capital assets are recorded as direct increases in net assets in the year in which they are received.

Other revenue is recorded as earned and when services are performed.

(b) Contributed services:

A substantial number of volunteers contribute a significant amount of time each year. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(c) Inventory of supplies:

Inventory of supplies is valued at the lower of average cost and net replacement value.

(d) Capital assets:

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life and capacity of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value. Amortization of cost and any corresponding deferred contribution is calculated on a straight-line basis using the following annual rates per MOHLTC guidelines:

Land improvements	5% to 12.5%
Buildings	2% to 5%
Building service equipment	4% to 10%
Equipment, furnishings and software	5% to 33.33%
Information system software and equipment	20% to 33.33%

Costs of construction and planning in progress are capitalized. Amortization is not recognized until construction is complete and the assets are put into use.

(e) Vacation pay:

Vacation pay is accrued for all employees as entitlement to these payments is earned in accordance with the Hospital's benefit plan for vacation.

(f) Employee future benefits:

The Hospital accrues its obligations under employee benefit plans as the employees render the services necessary to earn non-pension post-retirement benefits. The cost of such benefits earned by the employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of the retirement ages of employees and expected health and dental care costs.

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(f) Employee future benefits (continued):

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the remaining service period of active employees. The Hospital also accrues its obligations for post-employment benefits when an event that obligates the Hospital occurs such as parental and short-term sick leaves. The average remaining service period of active employees covered by the employee benefit plan is 11.2 years (2017 - 11.2 years).

(g) Multi-employer pension plan:

The Hospital participates in a defined benefit multi-employer pension plan. The plan is accounted for on a defined contribution plan basis as contributions to the benefit plan are determined by the plan administrator and are expensed when due. The most recent regulatory funding valuation of this multi-employer pension plan conducted as at December 31, 2017 disclosed actuarial assets of \$72,803 million with accrued pension liabilities of \$59,602 million, resulting in a surplus of \$13,201 million. This filing valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2017 based on the assumptions and methods adopted for the valuation.

(h) Use of estimates:

The preparation of financial statement requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

(i) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to subsequently carry financial instruments at fair value.

Long-term debt is recorded at cost.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(j) Statement of remeasurement gains and losses:

A statement of remeasurement gains and losses has not been provided as there are no significant unrealized gains or losses at March 31, 2018.

2. Receivable from Brockville and District Hospital Foundation:

JEJ Bequest Fund:

The loan receivable is from the Brockville and District Hospital Foundation which purchased the investment assets of the J.E. Johnson Bequest fund effective April 1, 2004. The return on the loan is equal to the annual net rate of return on the Foundation's investment portfolio as reported by the investment broker as the performance return for comparison against benchmark rates, less reasonable investment management and custodial fees and professional fees.

3. Capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	\$ 3,357,835	\$ —	\$ 3,357,835	\$ 3,345,518
Land improvements	1,396,485	954,097	442,388	504,251
Buildings and building service equipment	61,023,630	31,026,454	29,997,176	31,346,532
Equipment, furnishings and software	39,858,523	32,467,554	7,390,969	7,228,015
Information system software and equipment	10,469,996	8,486,084	1,983,912	2,276,918
Construction and planning in progress	19,625,666	—	19,625,666	16,156,166
	<u>\$ 135,732,135</u>	<u>\$ 72,934,189</u>	<u>\$ 62,797,946</u>	<u>\$ 60,857,400</u>

Cost and accumulated amortization of capital assets at March 31, 2017 amounted to \$130,217,206 and \$69,359,806, respectively.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

4. Bank loans payable:

	2018	2017
Demand loan bearing interest at Prime less 0.75% per annum, due March 31, 2019, payable in monthly principal payments of \$10,450 plus interest.	\$ 125,400	\$ 250,800
Demand loan bearing interest at Prime less 0.75% per annum, due June 30, 2023, payable in monthly principal payments of \$16,667 plus interest	1,049,981	1,249,985
Demand loan bearing interest at Prime per annum, due November 2018, payable in monthly principal payments of \$27,778 plus interest	222,222	555,556
Demand loan bearing interest at Prime less 0.75% per annum, due May 2025, payable in monthly principal payments of \$65,466 plus interest	1,582,380	2,187,995
Demand loan bearing interest at 2.65%, due September 2030, payable in blended monthly payments of \$8,715	1,105,374	1,179,599
Demand loan bearing interest at prime less 0.75% per annum, due August 2030, payable in blended monthly payments of \$3,634	482,144	514,409
Demand loan bearing interest at prime, due August 2019 at which time it will be transferred into a loan payable in equal monthly installments plus interest over 2 years	7,000,000	7,000,000
Demand loan bearing interest at Prime currently 2.70%, payable in monthly principal payments of \$33,333 plus interest	1,566,667	1,966,667
	<u>\$ 13,134,168</u>	<u>\$ 14,905,011</u>

Future principal payments over the next five years and thereafter are approximately as follows:

2019	\$ 1,513,859
2020	3,417,168
2021	4,438,943
2022	2,063,336
2023	389,221
2024 and thereafter	1,311,641
<u>Total principal payments</u>	<u>\$ 13,134,168</u>

Interest on debt amounted to \$513,133 in 2018 (2017 - \$459,685).

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

5. Employee future benefits:

- (a) The Hospital has defined benefit plans providing post-retirement health care, dental and life insurance benefits covering substantially all retirees and permanent full-time employees. There are no assets associated with these benefit plans. Information about the Hospital's defined post-retirement benefit plans, in aggregate, is as follows:

	2018	2017
Accrued benefits obligation, beginning of year	\$ 2,692,900	\$ 2,739,600
Current service cost	134,000	133,600
Interest on accrued benefits	87,000	83,100
Actuarial experience	-	(58,000)
Benefits payments	(218,000)	(205,400)
Accrued benefits obligation, end of year	2,695,900	2,692,900
Unamortized actuarial experience gain	992,200	1,155,400
Accrued employee future benefits liability, end of year	\$ 3,688,100	\$ 3,848,300

An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The most recent valuation of employee future benefits was completed as at April 1, 2015.

The significant actuarial assumptions adopted in estimating the Hospital's accrued benefits obligation at the beginning and end of the year are as follows:

Discount rate	3.2% per annum (2017 - 3.0%)
Dental cost escalation	3.0% per annum (2017 - 3.0%)
Health care cost escalation	6.25% per annum in 2018, decreasing by 0.25% per annum to an ultimate rate of 4.5% (2017 - 4.5%)

- (b) The Hospital's post-retirement benefit plans expense is as follows:

	2018	2017
Current service cost	\$ 134,000	\$ 133,600
Interest on accrued benefits	87,000	83,100
Net gain	(163,000)	(158,000)
	\$ 58,000	\$ 58,700

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

6. Deferred contributions:

(a) Expenses of future periods:

Deferred contributions for expenses of future periods represent unspent government grants and externally restricted provincial grants, donations, bequests and fundraising for particular purposes.

	2018	2017
Balance, beginning of year	\$ 692,902	\$ 687,932
Additional contributions	109,581	107,123
Less amount recognized as revenue in the year	(72,784)	(102,153)
Balance, end of year	\$ 729,699	\$ 692,902

The balance of deferred contributions for expenses of future periods consists of the following:

	2018	2017
J.E. Johnson Bequest	\$ 452,350	\$ 452,350
Other	277,349	240,552
	\$ 729,699	\$ 692,902

(b) Capital assets:

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

	2018	2017
Balance, beginning of year	\$ 46,585,558	\$ 48,445,454
Additional contributions	6,345,337	290,108
Less amount amortized to revenue	(2,188,916)	(2,150,004)
Balance, end of year	\$ 50,741,979	\$ 46,585,558

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

6. Deferred contributions (continued):

(b) Capital assets (continued):

The balance of deferred contributions for capital assets consists of the following:

	2018	2017
Unamortized capital contributions used to purchase assets	\$ 49,813,079	\$ 45,656,658
Unspent contributions	928,900	928,900
	<u>\$ 50,741,979</u>	<u>\$ 46,585,558</u>

7. Net assets invested in capital assets:

(a) Net assets invested in capital assets is calculated as follows:

	2018	2017
Capital assets	\$ 62,797,946	\$ 60,857,400
Amount financed by bank loan	(10,611,945)	(12,382,788)
Amounts financed by deferred contributions	(49,813,079)	(45,656,658)
	<u>\$ 2,372,922</u>	<u>\$ 2,817,954</u>

(b) Change in net assets invested in capital assets is calculated as follows:

	2018	2017
Excess of expenses over revenue:		
Amortization of deferred contributions for capital assets	\$ 2,188,916	\$ 2,150,004
Amortization of:		
Buildings	(1,754,048)	(1,694,905)
Equipment	(1,854,013)	(1,775,942)
	<u>(1,419,145)</u>	<u>(1,320,843)</u>
Net change in investment in capital assets:		
Purchase of capital assets	5,548,607	2,276,355
Amount financed by deferred contributions	(6,345,337)	(447,243)
Bank loans obtained	—	(1,500,000)
Repayment of bank loan	1,770,843	1,152,446
	<u>974,113</u>	<u>1,481,558</u>
	<u>\$ (445,032)</u>	<u>\$ 160,715</u>

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

8. Restrictions on net assets:

- (a) Other net assets internally restricted represent the unexpended balance of income on the J.E. Johnson Bequest of \$373,750 included in deferred contributions for expenses of future periods. The Hospital's Board of Directors considers the income from the bequest to be restricted in the same manner as the bequest itself, that is, its expenditure is subject to the approval of the Board of Directors of Brockville General Volunteer Association. The Board of Directors restricts net assets as follows:

	2018	2017
Beginning balance	\$ 170,298	\$ 155,383
Net income on fund	3,625	55,491
Draw from fund for expenditures	(48,998)	(40,576)
Unexpended balance	124,925	170,298
Original JEJ Bequest contribution	373,750	373,750
	\$ 498,675	\$ 544,048

- (b) Externally restricted endowments net assets represent endowment capital which cannot be expended.

9. Bank indebtedness:

The Hospital's financial agreement with its bank provides for an operating facility of up to \$8,000,000 to finance (operating and capital) expenses, with an additional increase of \$7,000,000 to adjust for timing of the MOHLTC cash advance. As at March 31, 2018, \$9,242,461 (2017 - \$6,217,932) was drawn bearing interest at prime rate less 0.75%, net with small cash balances in other accounts.

10. Contingencies:

- (a) The nature of the Hospital's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2018, management believes that the Hospital has valid defenses and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

10. Contingencies (continued):

- (b) Healthcare Insurance Reciprocal of Canada (“HIROC” or the “Reciprocal”) was formed in 1987 as an insurance reciprocal pursuant to the Insurance Act of Ontario. The Reciprocal is licensed in Ontario, Manitoba, Newfoundland and Labrador, Saskatchewan, Alberta, Nova Scotia, Northwest Territories, Yukon and Nunavut. It facilitates the exchange of reciprocal contracts of insurance among its subscribers, which are not-for-profit Canadian health care organizations. Since 1987 coverage has been provided for health care liability risks and during 2003 coverage was extended to include property risks.

The Financial Services Commission of Ontario and the Insurance Act of Ontario require that the Reciprocal maintain a surplus of assets over liabilities.

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. There are no such assessments payable to HIROC as at March 31, 2018.

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. There are no such distributions receivable from HIROC as at March 31, 2018.

11. Commitments:

- (a) The Hospital was approved, on February 21, 2018, to renovate and build an addition to the Charles Street site for a Complex Continuing Care/Mental Health/Rehabilitation Project (“Project”). The MOHLTC approved a total project cost of \$171 million, with maximum MOHLTC funds of up to \$153 million. As at March 31, 2018, total funds received and spent were \$18.4 million.

The expected completion date of the Project is August 2020. The addition will accommodate the transfer of all services currently provided at the Hospital’s Garden Street site, as well as additional acute care beds.

The Hospital has engaged, through a competitive procurement process, the planning and construction services for this project.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

11. Commitments (continued):

- (b) The Hospital has entered into a contract with Kingston Regional Hospital Laundry Services for laundry services for an initial term of April 1, 2015 until August 31, 2019 with the option to renew for five years.
- (c) The Hospital has entered into a contract with Kingston Health Sciences Centre and the Southeastern Ontario Academic Medical Organization for laboratory and pathology services for an initial term of July 6, 2017 until June 30, 2022 with the option to renew for five years.

12. Investment income:

Investment income earned is reported as follows:

	2018	2017
Income earned on unrestricted resources	\$ 2,550	\$ 32,647
Income earned on internally restricted resources: JEJ Bequest Fund	3,625	55,491
	\$ 6,175	\$ 88,138

13. Pension plan:

Substantially all of the employees of the Hospital are members of the Healthcare of Ontario Pension Plan (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. The Plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contributions to the Plan made during the year by the Hospital on behalf of its employees amounted to \$3,460,751 (2017 - \$3,249,213) and are recorded in the statement of operations.

The Healthcare of Ontario Pension Plan's most recent annual report as at December 31, 2017 states that the plan is fully funded at 122%.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

14. Mental health revenue deferral:

Subsequent to the transfer of acute mental health services from The Royal to Brockville General Hospital on April 1, 2012, the South East Local Health Integration Network initiated a redesign of Addictions and Mental Health ("AMH") services. This required that baseline AMH funding be identified and protected for possible re-distribution. The Hospital has been directed to protect both service and funding levels associated with AMH services, and has been further advised that funding transferred to support AMH services must be retained solely for the provision and support of AMH. Consequently, the Hospital must defer revenue not used for approved AMH purposes starting in 2013-14 if necessary to protect AMH funding levels. The total amount of revenue deferred at March 31, 2018 was \$Nil (2017 - \$83,182).

15. Other information:

- (a) The Brockville & District Hospital Foundation (the "Foundation") is incorporated without share capital under the Ontario Corporations Act. It is a non-profit corporation established for the purpose of receiving and maintaining a fund or funds and applying all or part of the principal and the income therefrom to the Hospital or such other organizations whose objectives are similar to or congruent with the Hospital. The Foundation qualifies for tax-exempt status as a registered charity under the Income Tax Act (Canada). The Hospital has an economic interest, but not control of the Brockville & District Hospital Foundation.

During the year, the Hospital received \$1,822,291 (2017 - \$1,564,086) from the Foundation for the purchase of capital and operating needs.

The net assets and results of operations of the Foundation are not included in the financial statements of the Hospital.

- (b) Brockville General Hospital is a member of a group of six hospitals with the South East Local Health Integration Network which have voluntarily agreed to enter into a joint project for the purposes of planning, development, implementation and operation of a shared regional supply chain project, consisting of procurement, warehousing, logistics and contract management activities. Shared Support Services South Eastern Ontario ("3SO"), a non-profit corporation, has been created to manage the services and provide procurement oversight on the part of the member hospitals. The project received start-up funding from the Ministry of Finance. The four-year project implementation period commenced with the signing of a transfer payment agreement in March 2008 and was completed in 2012.

Each of the participating hospitals is a voting member of 3SO. Therefore, the Hospital has an economic interest, but not control, over 3SO. The assets, liabilities, net assets and results of operation of the 3SO are not included in the financial statements.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

15. Other information (continued):

(b) (continued):

The Hospital has signed an eleven-year commitment to the project, expiring June 2019 and has provided a limited guarantee up to a maximum of \$67,000 of a \$1,000,000 line of credit secured by 3SO, representing the Hospital's proportionate share of 6.7%. As at March 31, 2018, 3SO had drawn \$Nil (2017 - \$Nil) on the line of credit, of which the Hospital guarantees \$Nil (2017 - \$Nil).

(c) The Hospital has economic interest in the Brockville General Volunteer Association by way of the Hospital holding resources that are used by the Volunteer Association to produce revenue. The net assets and results of the operations of the Volunteer Association are not included in the financial statements of the Hospital.

16. Financial risks and concentration of credit risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to credit risk with respect to the accounts receivable.

The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Hospital at March 31, 2018 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of allowance for doubtful accounts at March 31, 2018 is \$147,451 (2017 - \$39,883).

There have been no significant changes to the credit risk exposure from 2017.

(b) Liquidity risk:

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

16. Financial risks and concentration of credit risks (continued):

(b) Liquidity risk (continued):

The contractual maturities of long-term debt are disclosed in note 4.

There have been no significant changes to the liquidity risk exposure from 2017 as the appointment of a supervisor from the MOHLTC remained in effect throughout the year to continue to improve the financial health of the Hospital.

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Hospital's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposure within acceptable parameters while optimizing return on investment.

There have been no significant changes to the market risk exposure from 2017.

(d) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Hospital to cash flow interest rate risk. The Hospital is exposed to this risk through its interest bearing bank indebtedness and bank loans payable.

There have been no significant changes to the interest rate risk exposure from 2017.

17. Subsequent event:

Effective April 1, 2018 to March 31, 2020, the Hospital has entered into a new Hospital Service Accountability Agreement with the South East Local Health Integration Network. As part of this agreement, the Hospital will receive one-time funding to improve the financial position of the Hospital. In order to retain this funding, the Hospital has various performance and financial targets to meet.

18. Adoption of new accounting policies

On April 1, 2017, the Hospital adopted Canadian public sector accounting standards PS 2200 Related party disclosures, PS 3420 Inter-entity transactions, PS 3210 Assets, PS 3320 Contingent assets, and PS 3380 Contractual rights.

The adoption of these standards did not result in an accounting policy change for the Hospital, and did not result in any adjustments to the financial statements as at April 1, 2017.