

Financial Statements of

BROCKVILLE GENERAL HOSPITAL

Year ended March 31, 2016

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
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of the Brockville General Hospital

We have audited the accompanying financial statements of Brockville General Hospital, which comprise the statement of financial position as at March 31, 2016, the statements of operations, changes in net assets 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 Brockville General Hospital as at March 31, 2016, its results of operations, changes in net assets; 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

June 13, 2016

Kingston, Canada

BROCKVILLE GENERAL HOSPITAL

Statement of Financial Position

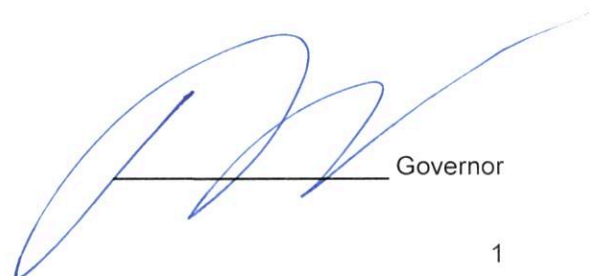
March 31, 2016 with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Receivable from Ministry of Health and Long-Term Care	\$ 876,118	\$ 694,455
Accounts receivable	3,068,287	2,881,477
Inventory of supplies	726,718	715,815
Prepaid expenses	734,506	818,309
	5,405,629	5,110,056
Loan receivable from Brockville and District Hospital Foundation re JEJ Bequest Fund (note 2)	529,133	607,124
Capital assets (note 3)	62,051,892	57,241,501
	<u>\$ 67,986,654</u>	<u>\$ 62,958,681</u>
Liabilities, Deferred Contributions and Net Assets (Deficiency)		
Current liabilities:		
Bank indebtedness (note 9)	\$ 7,264,328	\$ 6,176,654
Deferred revenue	550,000	825,000
Accounts payable and accrued liabilities	7,940,280	7,949,290
Bank loan payable (note 4)	12,924,123	2,548,468
	28,678,731	17,499,412
Accrued employee future benefits liability (note 5(a))	3,995,000	4,086,800
Deferred contributions (note 6):		
Expenses of future periods	687,932	703,958
Capital assets	48,445,454	49,228,913
	49,133,386	49,932,871
Net assets (deficiency):		
Unrestricted deficiency	(16,652,482)	(18,679,737)
Invested in capital assets (note 7(a))	2,657,239	9,866,564
Other internally restricted (note 8(a))	155,383	233,374
Externally restricted endowments (note 8(b))	19,397	19,397
	(13,820,463)	(8,560,402)
Contingencies (note 10)		
Commitment (note 11)		
	<u>\$ 67,986,654</u>	<u>\$ 62,958,681</u>

See accompanying notes to financial statements.

On behalf of the Board:


Governor


Governor

BROCKVILLE GENERAL HOSPITAL

Statement of Operations

Year ended March 31, 2016 with comparative information for 2015

	2016	2015
Revenue:		
Provincial Ministry of Health and Long-Term Care	\$ 61,960,145	\$ 62,766,650
Provincial insurance plan	4,282,948	4,410,850
Patient revenue from other payors	701,944	831,056
Co-payments	327,357	256,915
Preferred accommodation	544,767	688,967
Funding for other programs	731,434	748,205
Amortization of deferred contributions for equipment capital assets (note 7(b))	775,609	774,658
Amortization of deferred contributions for building capital assets (note 7(b))	1,398,326	1,388,016
Recoveries and other revenue	3,488,087	4,139,555
Investment income (note 12)	(38,569)	23,568
Donations, bequests and fundraising	582,058	609,994
	<u>74,754,106</u>	<u>76,638,434</u>
Expenses:		
Medical staff remuneration	7,539,654	7,181,253
Employee salary and benefits	52,757,728	52,856,398
Employee future benefits	(91,800)	(73,500)
Drugs	1,272,464	1,433,481
Medical and surgical supplies	3,831,316	3,898,287
Supplies	10,422,304	9,718,076
Interest	284,786	182,776
Amortization of equipment	2,110,652	2,003,202
Amortization of buildings and building service equipment	1,724,382	1,742,694
	<u>79,851,486</u>	<u>78,942,667</u>
Excess of expenses over revenue before restructuring costs and mental health revenue deferral	(5,097,380)	(2,304,233)
Restructuring costs	331,818	245,000
Mental health revenue deferral (note 14)	(169,137)	125,996
Excess of expenses over revenue	<u>\$ (5,260,061)</u>	<u>\$ (2,675,229)</u>

See accompanying notes to financial statements.

BROCKVILLE GENERAL HOSPITAL

Statement of Changes in Net Assets (Deficiency)

Year ended March 31, 2016 with comparative information for 2015

March 31, 2016	Invested in capital assets (note 7(a))	Other internally restricted (note 8(a))	Externally restricted endowments (note 8(b))	Unrestricted	2016 Total	2015 Total
Balance, beginning of year	\$ 9,866,564	\$ 233,374	\$ 19,397	\$ (18,679,737)	\$ (8,560,402)	\$ (5,885,173)
Excess of expenses over revenue	(1,661,098)	-	-	(3,598,963)	(5,260,061)	(2,675,229)
Investment in capital assets	(5,548,227)	-	-	5,548,227	-	-
Internally imposed restrictions	-	(77,991)	-	77,991	-	-
Balance, end of year	\$ 2,657,239	\$ 155,383	\$ 19,397	\$ (16,652,482)	\$ (13,820,463)	\$ (8,560,402)

See accompanying notes to financial statements.

BROCKVILLE GENERAL HOSPITAL

Statement of Cash Flows

Year ended March 31, 2016 with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Excess of expenses over revenue	\$ (5,260,061)	\$ (2,675,229)
Items not involving cash:		
Amortization of deferred contributions for capital assets and other	(2,173,935)	(2,162,675)
Amortization of capital assets	3,835,034	3,745,896
Decrease in accrued employee future benefits liability	(91,800)	(73,500)
Cash provided by (used in) the following operational balances:		
Receivable from Ministry of Health and Long-Term Care	(181,663)	(212,407)
Accounts receivable	(186,810)	257,614
Receivable, JEJ Bequest	77,991	28,551
Inventory of supplies	(10,904)	1,450
Prepaid expenses	83,803	(187,093)
Accounts payable and accrued liabilities	(9,009)	(304,104)
Deferred revenue	(275,000)	(416,280)
Deferred contributions received for future expenses	(16,026)	(22,599)
	(4,208,380)	(2,020,376)
Capital Activities:		
Purchase of capital assets	(8,645,425)	(9,172,494)
Deferred contributions received for capital assets	1,390,476	2,238,094
	(7,254,949)	(6,934,400)
Financing activities:		
Proceeds from long-term debt	11,860,000	—
Principal payments on debt	(1,484,345)	(642,102)
	10,375,655	(642,102)
Increase in bank indebtedness	(1,087,674)	(9,596,878)
Cash (bank indebtedness), beginning of year	(6,176,654)	3,420,224
Bank indebtedness, end of year	\$ (7,264,328)	\$ (6,176,654)

See accompanying notes to financial statements.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2016

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.

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 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. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2016.

Revenue from the Provincial Insurance Plan, patient revenue from other payors, co-payments, preferred accommodation and marketed services and recoveries and other revenue are recognized when the services are provided or the goods are sold.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

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.

Endowment contributions, including gains (losses) on sales of endowment investments, are recognized as direct increases (decreases) in endowment net assets.

Externally restricted contributions 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.

Externally restricted contributions for expenses are deferred until the related expense is incurred at which time they are recognized as revenue.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(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.

(c) Inventory of supplies:

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

(d) Capital assets:

Purchased 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.

Capital assets are amortized on a straight-line basis using the following annual rates:

Land improvements	5% to 12.5%
Buildings	2% to 5%
Building service equipment	4% to 10%
Equipment, furnishings and software	5% 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, 2016

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 (2015 - 11.8 years).

(g) Pension accounting:

The Hospital is an employer member of the Healthcare of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefits plan accounting principles. Contributions to the multi-employer defined benefit plan are expensed when due.

(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 carry financial instruments at fair value.

Long-term debt is recorded at cost.

(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, 2016.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2016

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:

Capital assets are comprised on the following items:

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Land	\$ 3,345,518	\$ —	\$ 3,345,518	\$ 948,735
Land improvements	1,396,485	830,267	566,218	628,186
Buildings and building service equipment	59,895,722	27,685,126	32,210,596	33,952,941
Equipment, furnishings and software	37,620,867	29,984,005	7,636,862	7,079,199
Information system software and equipment	10,130,479	7,315,136	2,815,343	3,057,149
Construction and planning in progress	15,477,355	—	15,477,355	11,575,291
	\$ 127,866,426	\$ 65,814,534	\$ 62,051,892	\$ 57,241,501

Cost and accumulated amortization of capital assets at March 31, 2015 amounted to \$119,543,320 and \$62,301,819, respectively.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2016

4. Bank loans payable:

	2016	2015
Demand loan bearing interest at 2.05%, due May 2016, payable in blended monthly payments of \$28,171	\$ 63,900	\$ 396,875
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.	376,200	501,600
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	1,449,981	1,649,993
Demand loan bearing interest at Prime per annum, due November 2018, payable in monthly principal payments of \$27,778 plus interest	888,896	—
Demand loan bearing interest at Prime less 0.75% per annum, due May 2025, payable in monthly principal payments of \$65,466 plus interest	2,845,540	—
Demand loan bearing interest at 2.65%, due September 2030, payable in blended monthly payments of \$8,715	1,251,950	—
Demand loan bearing interest at 1.95%, due August 2030, payable in blended monthly payments of \$3,634	547,656	—
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	5,500,000	—
	<u>\$ 12,924,123</u>	<u>\$ 2,548,468</u>

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

2017	\$ 1,485,561
2018	1,372,330
2019	1,114,739
2020	2,517,840
2021	3,289,322
2022 and thereafter	3,144,331
Total principal payments	<u>\$ 12,924,123</u>

Interest on debt amounted to \$284,786 in 2016 (2015 - \$182,776).

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2016

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:

	2016	2015
Accrued benefits obligation, beginning of year	\$ 3,024,900	\$ 2,649,800
Current service cost	129,700	155,700
Interest on accrued benefits	81,900	108,500
Actuarial experience (gain) loss	(351,500)	296,800
Benefits payments	(145,400)	(185,900)
Accrued benefits obligation, end of year	2,739,600	3,024,900
Unamortized actuarial experience gain	1,255,400	1,061,900
Accrued employee future benefits liability, end of year	\$ 3,995,000	\$ 4,086,800

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	3.0% per annum (2015 - 4.0%)
Dental cost escalation	3.0% per annum (2015 - 4.0%)
Health care cost escalation	6.25% per annum in 2015, decreasing by 0.25% per annum to an ultimate rate of 4.5% (2015 - 7%, decreasing by 0.25% per annum to an ultimate rate of 5.0%)

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

	2016	2015
Current service cost	\$ 129,700	\$ 155,700
Interest on accrued benefits	81,900	108,500
Net gain	(158,000)	(151,800)
	\$ 53,600	\$ 112,400

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2016

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.

	2016	2015
Balance, beginning of year	\$ 703,958	\$ 726,557
Additional contributions	153,145	45,839
Less amount recognized as revenue in the year	(169,171)	(68,438)
Balance, end of year	\$ 687,932	\$ 703,958

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

	2016	2015
J.E. Johnson Bequest	\$ 452,350	\$ 452,350
Other	235,582	251,608
	\$ 687,932	\$ 703,958

(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.

	2016	2015
Balance, beginning of year	\$ 49,228,913	\$ 49,153,493
Additional contributions	1,390,476	2,238,094
Less amount amortized to revenue	(2,173,935)	(2,162,674)
Balance, end of year	\$ 48,445,454	\$ 49,228,913

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2016

6. Deferred contributions (continued):

(b) Capital assets (continued):

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

	2016	2015
Unamortized capital contributions used to purchase assets	\$ 47,359,419	\$ 44,826,469
Unspent contributions	1,086,035	4,402,444
	<u>\$ 48,445,454</u>	<u>\$ 49,228,913</u>

7. Net assets invested in capital assets:

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

	2016	2015
Capital assets	\$ 62,051,892	\$ 57,241,501
Amount financed by bank loan	(12,035,234)	(2,548,468)
Amounts financed by deferred contributions	(47,359,419)	(44,826,469)
	<u>\$ 2,657,239</u>	<u>\$ 9,866,564</u>

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

	2016	2015
Excess of expenses over revenue:		
Amortization of deferred contributions for capital assets	\$ 2,173,935	\$ 2,162,674
Amortization of:		
Buildings	(1,724,382)	(1,742,694)
Equipment	(2,110,651)	(2,003,202)
	<u>(1,661,098)</u>	<u>(1,583,222)</u>
Net change in investment in capital assets:		
Purchase of capital assets	8,645,425	9,172,494
Amount financed by deferred contributions	(4,706,885)	(5,900,067)
Bank loans obtained	(10,860,000)	—
Repayment of bank loan	1,373,233	642,102
	<u>(5,548,227)</u>	<u>3,914,529</u>
	<u>\$ (7,209,325)</u>	<u>\$ 2,331,307</u>

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2016

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 Governors 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 Governors restricts net assets as follows:

	2016	2015
Beginning balance	\$ 233,374	\$ 261,925
Net interest income on fund	(36,912)	23,383
Draw from fund for expenditures	(41,079)	(51,934)
Unexpended balance	155,383	233,374
Original JEJ Bequest contribution	373,750	373,750
	\$ 529,133	\$ 607,124

- (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. As at March 31, 2016, \$6,517,234 was drawn bearing interest at prime rate less 0.75%.

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, 2016, 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, 2016

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, 2016.

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, 2016.

11. Commitment:

The 1998 Health Services Restructuring Commission's directives called for the following:

- (a) The Hospital accepted on April 1, 2012, the transfer of 24 acute care mental health beds and associated outpatient services from Brockville Mental Health Centre (Elmgrove site), an organization governed by The Royal. Services include inpatient acute care, outpatient services, electrocardiograms (ECG), electroencephalograms (EEG), Assertive Community Treatment Teams (ACTT), crisis services and related corporate support services.

Funding for this project is comprised of capital grants from the Province of Ontario. Total capital cost is estimated at \$10,600,000 which includes a renovation of the 3rd floor of the Charles Street Site and new equipment. Construction completed April 2014. \$10,511,000 has been paid for work completed and goods received. This is included in capital assets.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2016

11. Commitment (continued):

- (b) The redevelopment of the Charles Street site in order to accommodate the transfer of all services currently provided at the Hospital's Garden Street site.

The Hospital has engaged, through a competitive procurement process, services for functional programming, for prime consulting services, and for cost consulting.

- (c) 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.

12. Investment income:

Investment income earned is reported as follows:

	2016	2015
Income earned on unrestricted resources	\$ (1,657)	\$ 270
Income earned on internally restricted resources:		
Other - JEJ Bequest Fund	(36,912)	23,298
	\$ (38,569)	\$ 23,568

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 \$3,306,127 (2015 - \$3,283,687) and are recorded in the statement of operations.

The most recent actuarial valuation was at December 31, 2015 and the December 31, 2015 financial statements of the Plan show accrued pension benefits of \$49.2 billion which is \$14.7 billion less than the actuarial value of net assets available for benefits.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2016

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, 2016 was \$83,182 (2015 - \$259,319).

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 Brockville General Hospital or such other organizations whose objectives are similar to or congruent with the Brockville General 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 \$1,679,388 (2015 - \$1,861,517) 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 seven 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, during the year.

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, 2016

15. Other information (continued):

(b) (continued):

The Hospital has signed a ten-year commitment to the project and has provided a limited guarantee up to a maximum of \$335,000 of a \$5,000,000 line of credit secured by 3SO, representing the Hospital's proportionate share of 6.7%. As at March 31, 2016, 3SO had drawn \$10,000 on the line of credit, of which the Hospital guarantees \$667.

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 results 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, 2016 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, 2016 is \$56,935 (2015 - \$57,860).

There have been no significant changes to the credit risk exposure from 2015.

(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.

The contractual maturities of long-term debt are disclosed in note 5.

There have been no significant changes to the liquidity risk exposure from 2015.

BROCKVILLE GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2016

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

(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 2015.

(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 loan payable.

There have been no significant changes to the interest rate risk exposure from 2015.

17. Comparative information:

Certain 2015 comparative information has been reclassified to conform to the financial statement presentation adopted for 2016.

