

**ALEXANDRA MARINE AND GENERAL HOSPITAL
FINANCIAL STATEMENTS
MARCH 31, 2018**

**VODDEN, BENDER & SEEBACH LLP
Chartered Professional Accountants**

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Chartered Professional Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Governors and Members of Alexandra Marine and General Hospital

We have audited the accompanying financial statements of Alexandra Marine and General Hospital, which comprise the balance sheet as at March 31, 2018, and the operating fund statement of revenue and expenses 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, 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, the financial statements present fairly, in all material respects, the financial position of Alexandra Marine and General Hospital as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Vodden, Bender & Seebach LLP

Chartered Professional Accountants
Licensed Public Accountants

Clinton, Ontario
May 15, 2018

**ALEXANDRA MARINE AND GENERAL HOSPITAL
BALANCE SHEET**

See Accompanying Notes to Financial Statements

As at March 31	2018	2017
ASSETS		
Current assets		
Cash	597,047	1,203,385
Accounts receivable	1,110,643	1,141,044
Inventories	326,941	302,783
Prepaid expenses	139,958	160,070
	<u>2,174,589</u>	<u>2,807,282</u>
Capital assets, net book value (note 3)	14,153,099	15,327,161
	<u>\$ 16,327,688</u>	<u>\$ 18,134,443</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (note 4)	3,025,264	3,026,953
Employee future benefits (note 7)	165,900	161,100
Deferred revenue	-	6,356
	<u>3,191,164</u>	<u>3,194,409</u>
Long term liabilities		
Long-term debt (note 5)	186,046	225,162
Deferred capital contributions (note 6)	5,819,602	6,320,484
Employee future benefits (note 7)	1,426,200	1,421,800
	<u>10,623,012</u>	<u>11,161,855</u>
Net assets		
Invested in capital assets	8,147,451	8,781,515
Unrestricted	<u>(2,442,775)</u>	<u>(1,808,927)</u>
	5,704,676	6,972,588
	<u>\$ 16,327,688</u>	<u>\$ 18,134,443</u>

On behalf of the board of governors:

..... Member

..... Member

ALEXANDRA MARINE AND GENERAL HOSPITAL
OPERATING FUND STATEMENT OF REVENUE AND EXPENSES

See Accompanying Notes to Financial Statements

For the Year Ended March 31	2018	2017
Revenue		
LHIN Base funding	17,093,672	16,854,840
One time funding	8,030	233,951
LHIN/MOHLTC recoveries	(24,849)	-
Other MOHLTC funding	2,642,142	2,629,750
Paymaster funding	374,834	370,909
Other votes funding (note 9)	1,849,164	1,667,051
Cancer Care Ontario	43,863	42,694
Recoveries and miscellaneous	573,633	855,880
Patient revenues and OHIP	1,459,299	1,559,034
Differential and copayment	138,020	102,667
Amortization of deferred capital contributions - equipment	506,755	411,095
	<u>24,664,563</u>	<u>24,727,871</u>
Expenses		
Salaries and benefits	15,155,964	14,921,859
Medical staff remuneration	3,504,505	3,400,701
Supplies and other expenses	3,281,886	3,034,840
Medical and surgical supplies	581,664	567,384
Drugs and medical gases	356,866	332,682
Rental and lease expenses	42,007	43,315
Bad debts	36,289	20,000
Other votes expenses (note 9)	1,852,535	1,667,051
Amortization - equipment	746,077	797,889
	<u>25,557,793</u>	<u>24,785,721</u>
Excess (deficiency) of revenue over expenses from Hospital operations	<u>(893,230)</u>	<u>(57,850)</u>
Other items affecting operations		
Amortization of deferred capital contributions - building and building service equipment	278,825	280,828
Amortization - building and building service equipment	(653,507)	(675,501)
	<u>(374,682)</u>	<u>(394,673)</u>
Excess (deficiency) of revenue over expenses for the year	<u><u>(\$ 1,267,912)</u></u>	<u><u>(\$ 452,523)</u></u>

ALEXANDRA MARINE AND GENERAL HOSPITAL

STATEMENT OF CHANGES IN NET ASSETS

See Accompanying Notes to Financial Statements

For the Year Ended March 31			2018	2017
	Invested in Capital Assets	Unrestricted	Total	Total
Balance, beginning of year	8,781,515	(1,808,927)	6,972,588	7,425,111
Excess (deficiency) of revenues over expenses	(614,004)	(653,908)	(1,267,912)	(452,523)
Transfer between funds	(20,060)	20,060	-	-
Balance, end of year	<u>8,147,451</u>	<u>(2,442,775)</u>	<u>\$ 5,704,676</u>	<u>\$ 6,972,588</u>

ALEXANDRA MARINE AND GENERAL HOSPITAL
OPERATING FUND STATEMENT OF CASH FLOWS

See Accompanying Notes to Financial Statements

For the Year Ended March 31	2018	2017
Operating activities		
Excess of revenue over expenses for the year	(1,267,912)	(452,523)
Items not requiring (not providing) cash		
Amortization expense	1,399,584	1,473,390
Amortization of deferred capital grants and donations	(785,580)	(691,923)
Loss (gain) on disposal of capital assets	-	(2,787)
Working capital provided from operations	(653,908)	326,157
Cash provided from (used for) changes in operational balances		
Accounts receivable	30,401	(354,745)
Inventory	(24,158)	(22,351)
Prepaid expenses	20,112	4,548
Accounts payable and accrued liabilities	(1,689)	(50,760)
Employee future benefits - current	4,800	(2,000)
Deferred revenue	(6,356)	6,356
Cash provided from (used for) operating activities	(630,798)	(92,795)
Investing activities		
Net disposals (purchases) of capital assets	(225,522)	(971,247)
Financing activities		
Net proceeds (repayments) from long-term debt	(39,116)	(282,470)
Deferred building and equipment grants and donations	284,698	1,070,599
Employee future benefits - long-term	4,400	24,500
	249,982	812,629
Increase (decrease) in cash	(606,338)	(251,413)
Cash, beginning of year	1,203,385	1,454,798
Cash, end of year	\$ 597,047	\$ 1,203,385

ALEXANDRA MARINE AND GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

Alexandra Marine and General Hospital was incorporated by letters patent under the Ontario Business Corporations Act on June 3, 1901.

The Hospital is principally involved in providing health care services to the residents of the Town of Goderich and surrounding municipalities of Huron County. The Hospital is incorporated without share capital under the Corporations Act (Ontario) and is a charitable organization within the meaning of the Income Tax Act (Canada).

1. Significant accounting policies

The financial statements have been prepared in accordance with the Public Sector Accounting Handbook ("PS") which sets out Canadian generally accepted accounting principles ("GAAP") for government not-for-profit organizations ("GNPOs") in Canada. The Hospital has chosen to use the standards specified for GNPOs set out in PS 4200 to PS 4270. The significant accounting policies are summarized as follows:

a) Revenue recognition

The Hospital follows the deferral method of accounting for contributions that include donations and government grants.

The Hospital is primarily funded by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care (MOHLTC) and the South West Local Health Integration Network ("SW-LHIN").

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of the 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 arrangements with the Ministry of Health and Long-Term Care 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 expenses are recognized. Contributions restricted for the purchase of capital assets including restricted cash are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue from the insurance plans, preferred accommodations, and marketed services is recognized when the goods are sold or the service is provided, the amounts can be reasonably estimated and collection is reasonably assured.

b) Inventories

Inventories are recorded at the lower of average cost and net realizable value. Cost comprises all costs to purchase, convert and any other costs incurred in bringing the inventories to their present location and condition.

c) Capital assets

Capital assets are recorded at cost. Assets are amortized over their estimated useful lives using the following rates on a straight-line basis:

Land improvements	10 - 20 years
Buildings	20 - 50 years
Building service equipment	10 - 25 years
Equipment	5 - 10 years
Computer equipment	3 - 5 years

Construction in progress is not amortized until construction is complete and the facilities are placed into use.

**ALEXANDRA MARINE AND GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (continued)**

For the Year Ended March 31, 2018

1. Significant accounting policies (continued)

d) Contributed services

Volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

e) Employee future benefits

The benefit obligation is amortized over the average remaining service period of the active employees. The cost of retirement benefits earned by employees is actuarially determined using the projected unit method pro-rated on service and management's best estimate of retirement ages of employees and expected health and dental care costs.

f) Use of estimates

The preparation of the financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of capital assets; valuation of receivables, inventories; and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the year in which they are known.

g) Financial instruments

The financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with unrealized changes in fair value recorded in the statement of changes in net assets until the investment is derecognized or impaired at which time the amounts would be recorded in the operating fund statement of revenue and expenses.

In accordance with the Canadian Public Sector Accounting Standards the Hospital has undertaken the following:

- (i) Designated cash and short-term investments as held-for-trading, being measured at fair value.
- (ii) Accounts receivable are classified as loans and receivables, which are measured at amortized cost.
- (iii) Marketable securities are designated as available-for-sale, which are recorded at fair value.
- (iv) Accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities, which are measured at amortized cost.

**ALEXANDRA MARINE AND GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (continued)**

For the Year Ended March 31, 2018

1. Significant accounting policies (continued)

g) Financial instruments (continued)

No financial statement recognition is given to embedded derivatives or non-financial contracts with derivative characteristics.

The Hospital also complies with PS 3450, "Financial Instruments", for the presentation and disclosure of financial instruments and non-financial derivatives.

The Hospital has elected to account for transactions as at the trade date.

h) Funding adjustments

The Hospital receives grants from the MOHLTC and the South West Local Health Integration Network (SWLHIN) for specific services. Pursuant to the related agreements, if the Hospital does not meet specified levels of activity, the MOHLTC or SWLHIN is entitled to seek refunds. Should any amounts become refundable, the refunds would be charged to operations in the period in which the refund is determined to be payable. Should programs and activities incur a deficit, the Hospital records any recoveries thereon in the period in which collection is received.

2. Restricted investments

Restricted investments reflect the investment of unused donations received from donors, restricted for future Hospital expenditures, and interest earned on those contributions.

The Hospital currently holds no investments.

3. Capital assets

	Cost	Accumulated Amortization	Net Book Value 2018	Net Book Value 2017
Land	153,868	-	153,868	153,868
Land improvements	138,353	97,814	40,539	45,043
Buildings	16,312,745	6,612,277	9,700,468	10,140,879
Building service equipment	4,890,358	3,139,595	1,750,763	1,954,800
Equipment	12,247,657	10,290,524	1,957,133	2,259,642
Computer hardware/software	<u>2,737,608</u>	<u>2,187,280</u>	<u>550,328</u>	<u>772,929</u>
	<u>\$ 36,480,589</u>	<u>\$ 22,327,490</u>	<u>\$ 14,153,099</u>	<u>\$ 15,327,161</u>

4. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of:

	2018	2017
Trade payables	1,004,716	1,104,536
Salaries and deductions payable	1,158,094	1,128,065
Accrued vacation and statutory holiday payable	570,610	477,824
Other liabilities	<u>291,844</u>	<u>316,528</u>
	<u>\$ 3,025,264</u>	<u>\$ 3,026,953</u>

**ALEXANDRA MARINE AND GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (continued)**

For the Year Ended March 31, 2018

5. Long-term obligations

	2018	2017
CT2 Loan, 2.91% per annum for rate term expiring January 2021, blended monthly payments of principal and interest of \$4,368, due December 2022	<u>\$ 186,046</u>	<u>\$ 225,162</u>

Effective January 2015, the Foundation took over payments on the CT2 loan. The principal and interest payments are paid directly to TD by the Foundation. Since the Foundation is making the payments on all outstanding loans, no current portion has been recognized on the balance sheet, as the payments due in the next year will not be made from current assets of the Hospital. Principal due within each of the next five years on the long-term debt is as follows:

	CT2 loan
2019	47,634
2020	49,038
2021	50,485
2022	<u>38,889</u>
	<u>\$ 186,046</u>

6. Deferred capital contributions related to capital assets

Deferred capital contributions related to capital assets represent the unamortized amount received for the purchase of capital assets and consists of the following:

	2018	2017
Balance, beginning of year	6,320,484	5,951,415
Additional contributions	284,698	1,070,599
Less: Amounts amortized to revenue	<u>(785,580)</u>	<u>(701,530)</u>
Balance, end of year	<u>\$ 5,819,602</u>	<u>\$ 6,320,484</u>

**ALEXANDRA MARINE AND GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (continued)**

For the Year Ended March 31, 2018

7. Employee future benefits

The Alexandra Marine and General Hospital provides extended health care, dental and semi-private benefits to eligible retired employees. An independent actuarial study of the post-retirement benefits has been undertaken. The most recent valuation of the employee future benefits was prepared as at March 31, 2018.

At March 31, 2018 the Hospital's accrued benefit obligation related to post-retirement benefit plans was \$1,592,100 (2017: \$1,582,900), as detailed in the table below.

	2018	2017
Balance, beginning of year	1,582,900	1,560,400
Benefit cost	168,700	163,100
Contributions by the Hospital	<u>(159,500)</u>	<u>(140,600)</u>
Balance, end of year	1,592,100	1,582,900
Less: current portion	<u>165,900</u>	<u>161,100</u>
Long-term accrued benefit liability	<u>\$ 1,426,200</u>	<u>\$ 1,421,800</u>

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

	2018	2017
Discount rate		
Beginning of year	3.56%	3.76%
End of year	3.37%	3.56%
General inflation	CPI rate is used	

8. Invested in capital assets

a) Net assets invested in capital assets are calculated as follows:

	2018	2017
Capital assets, net book value	14,153,099	15,327,161
Amounts financed by:		
Deferred capital contributions	(5,819,602)	(6,320,484)
Obligations under long-term debt	<u>(186,046)</u>	<u>(225,162)</u>
	<u>\$ 8,147,451</u>	<u>\$ 8,781,515</u>

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

	2018	2017
Excess of expenses over revenues:		
Gain on disposal of capital assets	-	2,787
Amortization of deferred capital contributions related to capital assets	785,580	691,923
Amortization of capital assets	<u>(1,399,584)</u>	<u>(1,473,390)</u>
	<u>\$ (614,004)</u>	<u>\$ (778,680)</u>
Net change in investments in capital assets:		
Purchase of capital assets	225,522	983,436
Capital assets funded by deferred capital contributions	(284,698)	(1,070,599)
Reduction in long-term debt	39,116	282,470
Proceeds on disposal of capital assets	<u>-</u>	<u>(12,189)</u>
	<u>\$ (20,060)</u>	<u>\$ 183,118</u>

**ALEXANDRA MARINE AND GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (continued)**

For the Year Ended March 31, 2018

9. Other votes

The Alexandra Marine and General Hospital operates programming which is funded separately from general hospital operations. The LHIN funds the Community Mental Health Program (CMHP) and the Ministry of Children and Youth Services (MCYS) funds the Preschool Speech and Language Program (PSLP). In prior years it was only the CMHP program revenue and expenses that were reported here as the LHIN funded the PSLP. For fiscal 2017-18 the MCYS took over funding for the PSLP program and therefore the corresponding revenue and expenses have been reallocated.

	2018	2017
Revenues		
Community Mental Health Program	1,654,030	1,667,051
Preschool Speech and Language Program	<u>195,134</u>	<u>-</u>
	<u>\$ 1,849,164</u>	<u>\$ 1,667,051</u>
Expenses		
Community Mental Health Program	1,654,030	1,667,051
Preschool Speech and Language Program	<u>198,505</u>	<u>-</u>
	<u>\$ 1,852,535</u>	<u>\$ 1,667,051</u>

10. Pension plan

Employees of the Hospital are eligible to be members of the Hospitals of Ontario Pension Plan (HOOPP) which is a multi-employer final average pay contributory pension plan. Contributions made to the Plan during the year by the Hospital amounted to \$1,059,964 (2017: \$838,024) and are included in the operating fund statement of revenue and expenses.

11. Economic interest

The Hospital has an economic interest in the Alexandra Marine and General Hospital Foundation. The Foundation was established to solicit funds on behalf of the Hospital. The Foundation has net assets totalling \$954,290 (2017: \$838,024) for the benefit of the Hospital.

12. Financial risks and concentration of credit risks

Credit risk

Credit risk refers to the risk that a counterpart 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 operating fund statement of revenue and expenses. Subsequent recoveries of impairment losses related to accounts receivable are credited to the operating fund statement of revenue and expenses. The balance of the allowance for doubtful accounts at March 31, 2018 is \$69,000 (2017: \$50,000).

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

**ALEXANDRA MARINE AND GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (continued)**

For the Year Ended March 31, 2018

12. Financial risks and concentration of credit risks (continued)

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.

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

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 exposures within acceptable parameters while optimizing return on investments.

The Hospital is not exposed to market risk.

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.

At March 31, 2018, all of the Hospital's long-term debt was at fixed interest rates, with the exception of advances under the bank credit facility.

There has been no change to the interest rate risk exposure from 2017.