Stevenson Memorial Hospital
Financial Statements
For the year ended March 31, 2013

Stevenson Memorial Hospital

Financial Statements

For the year ended March 31, 2013

Contents

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Independent Auditor's Report

To the Members of the Corporation,
Stevenson Memorial Hospital

We have audited the accompanying financial statements of Stevenson Memorial Hospital, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations and net assets (deficiency) and statements of cash flows for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 controls 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 presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits 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 Stevenson Memorial Hospital as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants
Alliston, Ontario
June 6, 2013

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Statement of Financial Position

	March 31, 2013	March 31, 2012	April 1, 2011
Assets			
Current			
Cash and cash equivalents	$ 796,409	$ 736,941	$ 1,595,557
Accounts Receivable - Ministry of Health and Long Term Care / Local Health Integration Network	372,901	154,358	462,983
Accounts Receivable - other	1,062,778	1,238,873	1,013,861
Due from Stevenson Memorial Hospital Foundation (Note 14)	16,722	7,445	99,218
Due from County of Simcoe (Note 4)	104,090	257,728	138,808
Inventory of supplies	226,209	221,274	310,482
Prepaid expenses	292,914	255,587	199,541
	2,872,023	2,872,206	3,820,450
Due from County of Simcoe (Note 4)	499,656	530,764	669,572
Equipment under capital lease (Note 5)	123,620	164,826	206,032
Capital assets (Note 6)	7,827,901	7,536,329	6,107,927
	8,451,177	8,231,919	6,983,531
	$ 11,323,200	$ 11,104,125	$ 10,803,981
Liabilities and Net Assets (Deficiency)			
Current			
Bank loan (Note 7)	$ 200,000	$ 129,390	$ 258,780
Accounts payable and accrued liabilities	3,226,197	3,354,896	2,954,719
Current portion of obligation under capital lease (Note 13)	41,930	40,710	39,437
Deferred revenue	242,825	205,424	153,567
Deferred contributions related to capital assets (Note 8)	-	-	1,276,800
	3,710,952	3,730,420	4,683,303
Accrued post-employment benefits (Note 9)	111,800	105,300	98,800
Long term portion of bank loan (Note 7)	200,000	-	-
Obligation under capital lease (Note 13)	102,553	144,483	185,279
Deferred contributions related to capital assets (Note 8)	7,242,845	7,181,795	5,827,890
	7,657,198	7,431,578	6,111,969
	11,368,150	11,161,998	10,795,272
Contingencies and commitments (Note 10)			
Net Assets (deficiency)			
Unrestricted	(44,950)	(57,873)	8,709
	$ 11,323,200	$ 11,104,125	$ 10,803,981

On behalf of the Board

A Mwinder FCPA, FCA
Director

CPA, CA
Director

Statement of Operations and Net Assets (Deficiency)

For the year ended March 31	2013	2012
Revenue		
Ministry of Health and Long Term Care / Local Health Integration Network	**$ 21,353,878**	$ 21,124,155
Other Provincial programs	**705,512**	715,430
Other agencies and self-pay	**5,122,148**	4,808,559
Differential charges	**248,540**	280,118
Recoveries and sales	**990,489**	1,006,456
Amortization of deferred contributions for equipment (Note 8)	**841,245**	631,975
	29,261,812	28,566,693
Expenses		
Salaries and wages	**12,387,285**	12,227,719
Employee benefits	**2,975,033**	2,826,970
Medical staff remuneration	**5,510,245**	5,372,640
Medical and surgical supplies	**1,449,746**	1,359,859
Drugs	**698,117**	704,795
Other supplies and expenses (Note 11)	**4,535,760**	4,501,894
Other provincial programs	**705,512**	715,430
Amortization of equipment	**851,680**	815,411
Amortization of equipment under capital lease	**41,206**	41,206
Interest on loan (Note 7)	**14,120**	6,166
	29,168,704	28,572,090
Excess (deficiency) of revenue over expenses before building amortization	**93,108**	(5,397)
Amortization of deferred contributions for building (Note 8)	**280,777**	315,069
Amortization of building	**(360,962)**	(376,254)
Excess (deficiency) of revenue over expenses for the year	**12,923**	(66,582)
Net assets (deficiency), beginning of year	**(57,873)**	8,709
Net deficiency, end of year	**$ (44,950)**	$ (57,873)

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

Stevenson Memorial Hospital

Statement of Cash Flows

For the year ended March 31		2013		2012
Cash flows from operating activities				
Excess (deficiency) of revenue over expenses for the year	**$**	**12,923**	$	(66,582)
Adjustments for				
Amortization of capital assets		**1,253,848**		1,232,871
Amortization of deferred contributions related to capital assets		**(1,122,022)**		(947,044)
Post-employment benefits		**6,500**		13,000
Cash flows from operations before non-cash working capital balances		**151,249**		232,245
Changes in non-cash working capital balances				
Accounts receivable - Ministry of Health and Long Term Care / Local Health Integration Network		**(218,543)**		308,625
Accounts Receivable - other		**176,095**		(225,012)
Due from Stevenson Memorial Hospital Foundation		**(9,277)**		91,773
Due from County of Simcoe		**184,746**		19,888
Inventory of supplies		**(4,935)**		89,208
Prepaid expenses		**(37,327)**		(56,046)
Accounts payable and accrued liabilities		**(128,698)**		393,677
Deferred revenue		**37,401**		51,857
Cash (used in) provided by operating activities		**(538)**		673,970
Cash flows from capital and financing activities				
Increase in deferred contributions related to capital assets		**1,183,072**		1,024,149
Repayment of capital lease obligation		**(40,710)**		(39,523)
Purchase of capital assets, net of disposals		**(1,504,215)**		(2,620,067)
Proceeds from bank borrowings		**600,000**		-
Repayment of bank borrowings		**(329,390)**		(129,390)
Cash used in capital and financing activities		**(91,243)**		(1,764,831)
Net increase (decrease) in cash and cash equivalents during the year		**59,468**		(858,616)
Cash and cash equivalents, beginning of year		**736,941**		1,595,557
Cash and cash equivalents, end of year	**$**	**796,409**	$	736,941

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

1. Significant Accounting Policies

Management's Responsibility for the Financial Statements

The financial statements of the Hospital are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards for not-for-profit organizations as established by the Public Sector Accounting Board.

Nature and Purpose of Organization

Stevenson Memorial Hospital provides health care services to the Town of New Tecumseth and surrounding catchment area. The hospital, incorporated without share capital under the Corporations Act Ontario, is a charitable organization within the meaning of the Income Tax Act (Canada) and may issue tax receipts to donors. The Hospital is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

Basis of Presentation

The financial statements of the Hospital have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs"). The Stevenson Memorial Hospital Foundation is a separate entity which financial information is reported separately from the Hospital.

Contributed Services

Volunteers contribute numerous hours to assist the Hospital in carrying out certain charitable aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in these financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits at call with banks.

Revenue Recognition

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

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long Term Care ("MOHLTC"), and the Local Health Integration Network ("LHIN"). The Hospital has extended the 2012-13 Hospital Services Accountability Agreement (the "H-SAA") for fiscal 2013-14 with the MOHLTC and LHIN that sets out the rights and obligations of the parties to the H-SAA in respect of funding provided to the Hospital by the MOHLTC and LHIN. The H-SAA also sets out the performance standards and obligations of the Hospital that establish acceptable results for the Hospital's performance in a number of areas.

1. Significant Accounting Policies (continued)

Revenue Recognition (continued)

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

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.

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

Restricted contributions for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Amortization of buildings is not funded by the MOHLTC/LHIN and accordingly the amortization of buildings has been reflected as an undernoted item in the statement of operations with the corresponding realization of revenue for deferred contributions.

Revenue from patient services is recognized when the service is provided.

Ancillary revenue consists of parking, and food sales are recognized when the goods are sold and services provided.

Inventory

Inventories of supplies are valued at the lower of cost and net realizable value. Cost is determined on the first-in first-out basis for pharmacy, laboratory and dietary supplies. Cost for medical and general supplies is determined using a weighted average basis.

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 that extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value.

1. Significant Accounting Policies (continued)

Capital Assets (continued)

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

Land improvements	8 to 20 years
Building and building service equipment	5 to 40 years
Major equipment	3 to 20 years
Computer hardware and software	2 to 5 years

Costs directly involved in new Hospital planning are capitalized.

Construction in progress and new hospital planning costs are not amortized until construction is substantially complete and the assets are ready for use.

Assets Under Capital Lease

Assets under capital lease are recorded at cost. Amortization is provided on a straight-line basis over the assets' estimated useful lives of 6 years.

Post-employment Benefits

The Hospital provides defined post-employment benefits to certain employee groups. These benefits include health, dental and life insurance. The Hospital has adopted the following polices with respect to accounting for these employee benefits:

The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis. Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment.

Use of Estimates

The preparation of financial statements in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. Areas of key estimation include determination of allowance for doubtful accounts and actuarial estimation of post-employment benefits.

1. Significant Accounting Policies (continued)

Financial Instruments

The Hospital classifies its financial instruments into the following category:

Amortized Cost

This category includes cash, accounts receivable, due from Stevenson Memorial Hospital Foundation, amounts due from County of Simcoe, bank loan, accounts payable and accrued liabilities, and long-term bank borrowings. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

The cash flows of the financial instruments held by the Hospital are fixed or slightly variable. The incremental benefit of fair value measurement for cash and cash equivalents is very limited and therefore has been classified as amortized cost.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.

2. First Time Adoption of Public Sector Accounting Standards

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

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

2. Public sector accounting standards.

The Hospital has chosen to follow Public sector accounting standards including PS 4200 – 4270 for government not-for-profit organizations.

Effective April 1, 2012 the Hospital adopted the requirements of the new accounting framework, Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations (PSAB for Government NPOs). These are the Hospital's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125 – First-time Adoption by Government Organizations have been applied. Section 2125 requires retroactive application of the accounting standards with certain elective exemptions and mandatory exemptions.

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

The accounting policies set out in Note 1 – Significant Accounting Policies have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening PSAB for Government NPOs statement of financial position at the date of transition of April 1, 2011.

The Hospital issued financial statements for the year ended March 31, 2012 using generally accepted accounting principles prescribed by the CICA Handbook – Accounting Part V, - Pre-changeover Accounting Standards. The adoption of PSAB for Government NPOs did not result in any adjustments to the previously reported assets, liabilities, net assets, deficiency of revenue over expenses and cash flows of the Hospital.

The following exemptions and exceptions were used at the date of transition to Canadian PSAB for Government NPOs.

<u>Optional exemptions</u>

Business Combinations

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

<u>Mandatory exceptions</u>

Estimates

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

3. Change in Accounting Policy

On April 1, 2012, the Hospital adopted the Public Sector Accounting Handbook Standards PS 1201 Financial Statement Presentation, PS 2601 – Foreign Currency Translation and PS 3450 – Financial Instruments. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirement for the recognition, measurement, presentation and disclosure of financial instruments. This section has been applied prospectively; as a result, comparative amounts are presented in accordance with the accounting policies applied by the Hospital immediately preceding its adoption of PSAB for NPOs. The adoption of Section 3450, 2601 and 1201 did not result in any adjustments to the Hospital's assets, liabilities, net assets, excess of revenue over expenses and cash flows.

4. Due from the County of Simcoe

As part of the financing of a building addition for the CT scanner, the County of Simcoe is providing ongoing funding to the Hospital. It is expected $104,090 will be paid in late 2013 with the balance paid annually in approximately equal amounts over the next six years. The amounts due are non-interest bearing, unsecured, and subject to annual confirmation by the County.

5. Equipment Under Capital Lease

	2013	2012
Equipment under capital lease, at cost	**$ 247,238**	$ 247,238
Less: accumulated amortization	**(123,618)**	(82,412)
	$ 123,620	$ 164,826

Stevenson Memorial Hospital has entered into an agreement for the lease of endoscopy equipment. The agreement expires August 15, 2016 and provides for the transfer of the equipment to the Hospital at that time for a payment of $1.

6. Capital Assets

	2013		2012	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 25,809**	**$ -**	$ 25,809	$ -
Land improvements	**518,782**	**266,965**	518,782	253,766
Buildings	**3,615,165**	**1,903,810**	3,615,165	1,832,105
Building service equipment	**4,746,831**	**3,428,218**	4,727,641	3,152,155
Major equipment	**15,677,311**	**14,056,245**	15,182,875	13,371,992
Computer hardware and software	**1,503,526**	**1,207,071**	1,172,365	1,039,644
Construction in progress	**2,051,973**	**-**	1,413,638	-
New hospital planning costs	**550,813**	**-**	529,716	-
	$ 28,690,210	**$ 20,862,309**	$ 27,185,991	$ 19,649,662
Net book value		**$ 7,827,901**		$ 7,536,329

6. Capital Assets (continued)

In accordance with Hospital practices in Ontario associated with planning for new Hospitals, the MOHLTC/LHIN requires Hospitals to fund their planning costs prior to approval being granted. In due course the Hospital will make application to the MOHLTC/LHIN to either recover these costs or to have the approval of these costs considered to be part of the new Hospital construction. It is at the discretion of the MOHLTC/LHIN to decide whether or not to reimburse these costs. Direct costs of Hospital personnel dedicated to this planning process are included in new Hospital planning costs.

7. Banking Facilities

The Hospital has an available operating line of credit facility up to $1,250,000 with interest at bank prime rate payable monthly, interest only and repayable on demand. The line of credit facility is with one Schedule I bank. The line of credit facility is unsecured and the interest paid during the year on this loan was $8,218.

The Hospital has a loan agreement with one Schedule I bank for a demand loan in the amount of $600,000 to assist in financing the energy retrofit program with interest at bank prime rate payable monthly. $200,000 of the demand loan was repaid in 2012. The loan is unsecured and the interest paid during the year on this loan was $14,120. As at March 31, 2013, the balance of the loan is $400,000, with $200,000 due on April 30, 2013 and the final $200,000 payment due on April 30, 2014.

8. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. These contributions are amortized and recorded as revenue in the statement of operations, on the same basis as the amortization of the related asset.

	2013	2012
Balance, beginning of year	**$ 7,181,795**	$ 7,104,690
Additional contributions received	**1,183,072**	1,024,149
Less amounts amortized to revenue - equipment	**(841,245)**	(631,975)
Less amounts amortized to revenue - building	**(280,777)**	(315,069)
Balance, end of year	**$ 7,242,845**	$ 7,181,795

9. Accrued Post - Employment Benefits

The Hospital provides post-employment extended healthcare and dental benefits to a number of retired employees until the age of 65. The Hospital also provides post-employment life insurance coverage to a number of employees. From January 1, 2002, Ontario Nursing Association (ONA) members are eligible for post-employment benefits, the cost of which is borne entirely by retiring ONA members; that is, ONA members electing coverage will pay 100% of the associated premium. In many cases, the premium charged to retirees is the same as that charged to active members. This premium is typically lower than the actual cost of retiree benefits due to their higher rates of utilization. The premiums paid by retiring ONA members, therefore may not be sufficient to cover the actual costs of the benefits. This may result in an increased obligation, which generates a past service cost. From April 1, 2011 full-time ONA members who reach age 57 and retire on or after April 1, 2011 are eligible for post-employment benefits and the Hospital will contribute 50% of the billed premiums of these benefit plans.

The Hospital provides Ontario Service Employees Union (OPSEU) members who retire after age 60 semi-private, extended health and dental benefits. OPSEU members electing coverage will pay 100% of the associated premium.

The last actuarial report was conducted March 31, 2008 to estimate the Hospital's accrued benefit obligation relating to post-employment benefits plans. At March 31, 2013, the Hospital's accrued benefit obligation relating to post-employment benefit plans is $111,800 (2012 - $105,300).

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

Discount rate	7.50%	per annum (2012 – 7.50%)
Extended healthcare cost escalation	9.0%	per annum (2012 - 9%)
Dental benefits cost escalation	4.0%	per annum (2012 - 4.0%)

10. Contingencies and Commitments

a) Contingent Liabilities

i) During the normal course of operations, various proceedings and claims are filed against the Hospital. The Hospital reviews the validity of these claims and proceedings and management believes any settlement would be adequately covered by its insurance policies and would not have a material effect on the financial position or future results of operations of the Hospital.

ii) The Hospital participates in the Healthcare Insurance Reciprocal of Canada, a pooling of the public liability insurance risks of its hospital members. Members of the pool pay annual premiums, which are actuarially determined and are expensed in the current year. These premiums are subject to further assessment for experience gains and losses, by the pool, for prior years. To March 31, 2013, no assessments have been received.

10. Contingencies and Commitments (continued)

b) Doctor Payment Commitments

The Hospital has entered into agreements to attract doctors to work in the area for the following amounts:

2014	2015	2016	2017	2018
$ 199,950	$138,985	$ 97,222	$ 75,556	$ 64,236

11. Other supplies and expenses

	2013	2012
Supplies	**$ 1,156,120**	$ 1,179,007
Insurance	**247,133**	240,994
Laundry	**195,771**	187,085
Patient travel	**224,327**	175,976
Other miscellaneous expenses	**705,952**	720,833
Equipment expenses	**809,785**	868,030
Laboratory services	**450,116**	407,966
Contracted out	**647,871**	572,504
Building/grounds	**98,685**	149,499
	$ 4,535,760	$ 4,501,894

12. Pension Plan

All full-time and certain part-time employees of the Hospital are members of the Healthcare of Ontario Pension Plan (Plan) which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death that provide the highest earnings.

Pension assets consist of investment-grade securities. Market and credit risk on these securities are managed by the Healthcare of Ontario Pension Plan through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the percentage of salary contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

12. Pension Plan (continued)

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. Each year an independent actuary determines the funding status of the Plan by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan as at December 31, 2012 indicates the Plan is 104% funded. The results of this valuation disclosed total actuarial liabilities of $39,919 million (2011 - $36,782 million) in respect of benefits accrued for service, with actuarial net assets of $41,592 million (2011 - $37,758 million) indicating an actuarial surplus of $1,673 million (2011 – $976 million). Because the Plan is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario Hospital Association members and their employees. As a result, the Hospital does not recognize any share of the Plan surplus or deficit.

Contributions to the Plan made during the year by the Hospital on behalf of its employees amounted to $962,508 (2012 - $941,504) and are included in salaries, wages and benefits in the statement of operations.

13. Obligation Under Capital Lease

	2013	2012
Obligation payable by monthly installments of $3,803 including interest at 3% per annum, due August 2016	**$ 144,483**	$ 185,193
Less amount due within one year	**(41,930)**	(40,710)
	$ 102,553	$ 144,483

Obligations under capital lease are secured by endoscopy equipment.

The minimum lease payments for the next 4 years are as follows:

2014	$ 45,641
2015	45,641
2016	45,641
2017	14,970
	151,893
Less imputed interest	7,410
	$ 144,483

During the year, interest of $4,931 was expensed in the statement of operations related to this lease.

14. Related Entities

(a) Stevenson Memorial Hospital Foundation

The Hospital has an economic interest in the Stevenson Memorial Hospital Foundation (Foundation). The Foundation's goal is to focus on fundraising that support the priorities established by the Hospital. This is accomplished by granting or using funds to support the mission of Stevenson Memorial Hospital. The Foundation is incorporated under the Ontario Corporations Act and is a registered charity under the Income Tax Act. The Hospital does not exercise control or significant influence over the operations of the Foundation. Separate audited financial statements are prepared for the Foundation. Financial summaries of the Foundation are as follows:

	March 31 2013	March 31 2012
Financial Position		
Total assets	**$ 3,287,266**	$ 3,046,655
Total liabilities	**$ 146,209**	$ 31,884
Total net assets	**3,141,057**	3,014,771
	$ 3,287,266	$ 3,046,655
Results of Operations		
Total revenues	**$ 1,199,219**	$ 806,233
Expenses	**327,541**	405,514
Contributions to Stevenson Memorial Hospital	**745,392**	858,422
Total expenses and contributions	**1,072,933**	1,263,936
Excess (deficiency) of revenues over expenses and contributions for the year	**$ 126,286**	$ (457,703)

The Stevenson Memorial Hospital Foundation revenue includes $123,945 (2012 - $44,751) contributed by the Stevenson Memorial Hospital Auxiliary. During the year, the Hospital has received $745,392 (2012 - $858,422) from the Foundation for purchase of capital assets. The receivable from the Foundation is $16,722 (2012 - $7,445) at March 31, 2013. All contributions from the Foundation to the Hospital are measured at fair value at the date of the contribution.

15. Related Entities (continued)

(b) Stevenson Memorial Hospital Auxiliary

The Stevenson Memorial Hospital Auxiliary (Auxiliary) is an ancillary volunteer organization that is a registered charity under the Income Tax Act. Under its constitution and by-laws the stated purpose of the Auxiliary is to assist the Hospital and the community. The Auxiliary is managed by an Executive Board elected by the members. The President of the Auxiliary is an ex-officio member of the Board of Directors of the Hospital. Financial statements of the Auxiliary have not been consolidated in the Hospital's financial statements. Financial summaries of the Auxiliary are as follows:

	March 31 2013	March 31 2012
Financial Position		
Total assets	**$ 64,622**	$ 104,216
Total liabilities	**$ 7,527**	$ 3,368
Total net assets	**57,095**	100,848
	$ 64,622	$ 104,216
Results of Operation		
Total revenues	**$ 148,171**	$ 138,181
Expenses	**67,979**	63,204
Contributions to the Foundation	**123,945**	44,751
Total expenses and contributions	**191,924**	107,955
Excess (deficiency) of revenues over expenses and contributions for the year	**$ (43,753)**	$ 30,226

The financial statements of the Auxiliary are unaudited and are subject to an independent annual review engagement report.

16. Financial Instrument Risk Management

Credit Risk

Credit Risk is the risk of financial loss to the Hospital if a debtor fails to make payments of interest and principal when due. The Hospital is exposed to this risk relating to its cash and cash equivalents and accounts receivable. The Hospital holds its cash accounts with Schedule I banks which are insured by the Canadian Deposit Insurance Corporation. In the event of a default, the Hospital's cash accounts are insured up to $100,000 (2012 - $100,000).

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

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

		Past Due			
	Total	**1– 30 days**	**31 – 60 days**	**61 – 90 days**	**91 + days**
MOHLTC/LHIN	**$ 372,901**	**$ 330,833**	**$ 6,457**	**$ -**	**$ 35,611**
OHIP	**259,538**	**163,061**	**74,794**	**6,622**	**15,061**
Stevenson Memorial Hospital Foundation	**16,722**	**16,722**	**-**	**-**	**-**
Matthews House Hospice	**14,557**	**14,557**	**-**	**-**	**-**
County of Simcoe	**603,746**	**104,090**	**-**	**-**	**499,656**
Insurers, patients and other	**835,939**	**694,061**	**58,788**	**27,597**	**55,493**
Gross receivables	**2,103,403**	**1,323,324**	**140,039**	**34,219**	**605,821**
Less: impairment allowances	**(47,256)**	**-**	**-**	**-**	**(47,256)**
Net receivables	**$ 2,056,147**	**$ 1,323,324**	**$140,039**	**$ 34,219**	**$ 558,565**

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

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

16. Financial Instrument Risk Management (continued)

Market Risk

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

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

Interest Rate Risk

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

The Hospital is exposed to interest rate risk from the possibility that changes in interest rates will affect the cash flows related to its banking facilities.

At March 31, 2013 a 1% move in interest rates, with all other variables held constant, would have a minimal impact on the cash flows related to the Hospital's banking facilities.

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

Liquidity Risk

Liquidity risk is the risk that the Hospital will not be able to meet all cash outflow obligations as they come due. The Hospital mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and cash flow planning.

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

17. Management Services Agreement

In 2008, the Hospital entered into a management services agreement with Southlake Regional Health Centre. The purpose of the agreement was to form a strategic association, whereby both Hospitals can improve clinical services and maximize efficiencies. Southlake Regional Health Centre provides management and clinical support to the Hospital in accordance with its strategic plan. The Hospital has paid approximately $872,866 for the salaries of shared support services (2012 - $737,575). The agreement expires in June 2013. Discussions are currently underway to extend the current contract for 6 months.

18. Comparative Figures

Certain comparative figures have been reclassified to conform with the current financial statement presentation.

19. Economic Dependence

The Hospital is economically dependent on the funding it receives from the Ministry of Health and Long Term Care/Local Health Integration Network.