

Stevenson Memorial Hospital
Financial Statements
For the year ended March 31, 2014

Stevenson Memorial Hospital

Financial Statements

For the year ended March 31, 2014

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Independent Auditor's Report

To the Board of Directors of Stevenson Memorial Hospital

We have audited the accompanying financial statements of Stevenson Memorial Hospital, which comprise the statement of financial position as at March 31, 2014, and the statement of operations and net assets (deficiency) and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

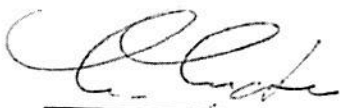
In our opinion, the financial statements present fairly, in all material respects, the financial position of Stevenson Memorial Hospital as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for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


Chartered Accountants, Licensed Public Accountants
Alliston, Ontario
June 2, 2014

Stevenson Memorial Hospital Statement of Financial Position

March 31	2014	2013
Assets		
Current		
Cash and cash equivalents	\$ 1,213,387	\$ 796,409
Accounts Receivable - Ministry of Health and Long Term Care/ Local Health Integration Network	293,979	372,901
Accounts Receivable - other	1,127,975	1,062,778
Due from Stevenson Memorial Hospital Foundation (Note 11)	153,959	16,722
Due from County of Simcoe (Note 2)	131,032	104,090
Inventory of supplies	206,729	226,209
Prepaid expenses	237,792	292,914
	<u>3,364,853</u>	<u>2,872,023</u>
Due from County of Simcoe (Note 2)	368,624	499,656
Equipment under capital lease (Note 3)	82,413	123,620
Capital assets (Note 4)	<u>8,092,666</u>	<u>7,827,901</u>
	<u>8,543,703</u>	<u>8,451,177</u>
	<u>\$ 11,908,556</u>	<u>\$ 11,323,200</u>
Liabilities and Net Assets (Deficiency)		
Current		
Bank loan (Note 5)	\$ 96,000	\$ 200,000
Accounts payable and accrued liabilities	3,509,255	3,226,197
Current portion of obligation under capital lease (Note 10)	43,189	41,930
Deferred revenue	<u>215,896</u>	<u>242,825</u>
	<u>3,864,340</u>	<u>3,710,952</u>
Accrued post-employment benefits (Note 7)	252,800	111,800
Long term bank borrowings, capital facility (Note 5)	-	200,000
Obligation under capital lease (Note 10)	59,364	102,553
Deferred contributions related to capital assets (Note 6)	<u>7,670,898</u>	<u>7,242,845</u>
	<u>7,983,062</u>	<u>7,657,198</u>
	11,847,402	11,368,150
Contingencies and commitments (Note 8)		
Net Assets (deficiency)		
Unrestricted	<u>61,154</u>	<u>(44,950)</u>
	<u>\$ 11,908,556</u>	<u>\$ 11,323,200</u>

On behalf of the Board

 CPA, CA
Director

 FCPA, FCA
Director

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

Stevenson Memorial Hospital
Statement of Operations and Net Assets (Deficiency)

For the year ended March 31	2014	2013
Revenues		
Ministry of Health & Long Term Care / Local Health Integration Network	\$ 21,667,843	\$ 21,353,878
Other Provincial programs	721,645	705,512
Other agencies and self-pay	5,610,460	5,122,148
Differential charges	209,820	248,540
Recoveries and sales	1,010,392	990,489
Amortization of deferred contributions for equipment (Note 6)	974,907	841,245
	<u>30,195,067</u>	<u>29,261,812</u>
Expenses		
Salaries and wages	12,415,872	12,387,285
Employee benefits	3,120,899	2,975,033
Medical staff remuneration	6,046,750	5,510,245
Medical and surgical supplies	1,351,068	1,449,746
Drugs	672,290	698,117
Other supplies and expenses	4,596,562	4,530,829
Other Provincial programs	721,645	705,512
Amortization of equipment	1,030,593	851,680
Amortization of equipment under capital lease	41,206	41,206
Interest on loan and capital lease (Notes 5 and 10)	8,110	19,051
	<u>30,004,995</u>	<u>29,168,704</u>
Excess of revenue over expenses before building amortization	190,072	93,108
Amortization of deferred contributions for buildings (Note 6)	377,075	280,777
Amortization of buildings	(461,043)	(360,962)
	<u></u>	<u></u>
Excess of revenue over expenses for the year	106,104	12,923
Net deficiency, beginning of year	(44,950)	(57,873)
	<u></u>	<u></u>
Net assets (deficiency), end of year	\$ 61,154	\$ (44,950)

Stevenson Memorial Hospital Statement of Cash Flows

For the year ended March 31

2014

2013

Cash flows from operating activities		
Excess of revenue over expenses for the year	\$ 106,104	\$ 12,923
Adjustments for		
Amortization of capital assets	1,532,842	1,253,848
Amortization of deferred contributions related to capital assets	(1,351,982)	(1,122,022)
Post-employment benefits	141,000	6,500
Cash flows from operations before non-cash working capital balances	427,964	151,249
Changes in non-cash working capital balances		
Accounts receivable - Ministry of Health and Long Term Care / Local Health Integration Network	78,922	(218,543)
Accounts Receivable - other	(65,197)	176,095
Due from Stevenson Memorial Hospital Foundation	(137,237)	(9,277)
Due from County of Simcoe	104,090	184,746
Inventory of supplies	19,480	(4,935)
Prepaid expenses	55,122	(37,327)
Accounts payable and other accrued liabilities	283,052	(128,698)
Deferred revenue	(26,929)	37,401
Cash provided by operating activities	739,267	150,711
Cash flows from capital and financing activities		
Increase in deferred contributions for capital purposes	1,780,035	1,183,072
Repayment of capital lease obligation	(41,930)	(40,710)
Purchase of capital assets, net of disposals	(1,756,394)	(1,504,215)
Proceeds from bank borrowings	-	600,000
Repayment of bank borrowings	(304,000)	(329,390)
Cash used in investing and financing activities	(322,289)	(91,243)
Net increase in cash and cash equivalents during the year	416,978	59,468
Cash and cash equivalents, beginning of year	796,409	736,941
Cash and cash equivalents, end of year	\$ 1,213,387	\$ 796,409

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

Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2014

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 (H-SAA) until March 31, 2014 with the MOHLTC/LHIN. This agreement sets out the rights and obligations of the parties to the H-SAA in respect to funding provided to the Hospital by the MOHLTC/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.

Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2014

1. Significant Accounting Policies (continued)

Revenue Recognition

If the Hospital does not meet its performance standards or obligations, the LHIN has the right to adjust funding received by the Hospital. The 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 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 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, which 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.

Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2014

1. Significant Accounting Policies (continued)

Capital Assets

Capital assets are capitalized on acquisition and amortized on a straight-line basis over their useful lives, which have been which have been estimated 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.

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.

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 life.

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 policies 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.

The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.

The discount rate used in the determination of the abovementioned liabilities is equal to the Hospital's internal rate of borrowing.

Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2014

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.

Management Estimates

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

2. 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 \$131,032 will be paid in late 2014 with the balance paid annually in approximately equal amounts over the next five years. The amounts due are non-interest bearing, unsecured, and subject to annual confirmation by the County.

Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2014

3. Equipment Under Capital Lease

	2014	2013
Equipment under capital lease, at cost	\$ 247,238	\$ 247,238
Less: accumulated amortization	(164,825)	(123,618)
	<u>\$ 82,413</u>	<u>\$ 123,620</u>

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.

4. Capital Assets

	2014		2013	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 25,809	\$ -	\$ 25,809	\$ -
Land improvements	523,942	282,737	518,782	266,965
Buildings	3,779,371	1,977,160	3,615,165	1,903,810
Building service equipment	6,523,489	3,801,911	4,746,831	3,428,218
Major equipment	16,818,336	14,861,990	15,677,311	14,056,245
Computer hardware and software	1,746,520	1,430,140	1,503,526	1,207,071
Capital assets in progress	518,091	-	2,051,973	-
New hospital planning costs	511,046	-	550,813	-
	<u>\$ 30,446,604</u>	<u>\$ 22,353,938</u>	<u>\$ 28,690,210</u>	<u>\$ 20,862,309</u>

Net book value	<u>\$ 8,092,666</u>	<u>\$ 7,827,901</u>
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In accordance with Hospital practices in Ontario associated with planning for new Hospitals, the LHIN requires Hospitals to fund their planning costs prior to approval being granted. In due course the Hospital will make application to the 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 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.

Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2014

5. 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 a Schedule 1 bank. The line of credit facility is unsecured.

The Hospital has a loan agreement with one Schedule 1 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. \$504,000 of the demand loan was paid in previous years. The loan is unsecured and the interest paid during the year on this loan was \$4,400 (2013 - \$14,120). As at March 31, 2014, the balance of the loan is \$96,000, and is due April 30, 2014.

6. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent the unamortized balance of contributions 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.

	2014	2013
Balance, beginning of year	\$ 7,242,845	\$ 7,181,795
Contributions received during the year	1,780,035	1,183,072
Less amounts amortized to revenue - equipment	(974,907)	(841,245)
Less amounts amortized to revenue - building	(377,075)	(280,777)
Balance, end of year	\$ 7,670,898	\$ 7,242,845

7. Accrued Post-retirement Benefit Plans

The Hospital provides post-retirement 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.

Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2014

7. Accrued Post-retirement Benefit Plans (continued)

The last actuarial report was conducted May 2014 to estimate the Hospital's accrued benefit obligation relating to post-employment benefits plans. At March 31, 2014, the Hospital's accrued benefit obligation relating to post-employment benefit plans is \$252,800 (2013 - \$111,800).

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

Discount rate	4.0% per annum (2013 - 7.5%)
Extended healthcare cost escalation	7.0% per annum (2013 - 7.0%)
Dental benefits cost escalation	4.0% per annum (2013 - 4.0%)

8. 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. At March 31, 2014, no assessments have been received.

b) Physician Contract Commitments

In prior years the Hospital entered into incentive agreements to attract doctors to work in the area for the following amounts:

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 53,972	\$ 37,222	\$ 15,556	\$ 4,236

9. 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.

Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2014

9. Pension Plan (continued)

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.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2013 indicates the Plan is 114% funded.

Contributions to the Plan made during the year by the Hospital on behalf of its employees amounted to \$960,627 (2013 - \$962,508) and are included in salaries, wages and benefits in the statement of operations.

10. Obligation Under Capital Lease

	2014	2013
Obligation payable by monthly installments of \$3,803 including interest at 3% per annum, due August 2016	\$ 102,553	\$ 144,483
Less amount due within one year	(43,189)	(41,930)
	<u>\$ 59,364</u>	<u>\$ 102,553</u>

Obligations under capital lease are secured by endoscopy equipment.

The minimum lease payments for the next 3 years are as follows:

2015	\$ 45,641
2016	45,641
2017	14,970
	<u>106,252</u>
Less imputed interest	3,699
	<u>\$ 102,553</u>

During the year, interest of \$3,710 (2013 - \$4,931) was expensed in the statement of operations related to this lease.

Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2014

11. Related Entities

Stevenson Memorial Hospital Foundation (Foundation)

The Foundation is an independent corporation incorporated without share capital which has its own independent Board of Directors and is a registered charity under the Income Tax Act. The Foundation receives and maintains funds for charitable purposes, which it donates to the Hospital for the use of operations, renovations, maintenance and equipment of the Hospital.

Amounts received from the Foundation are externally restricted. Accordingly, capital grants and donations are deferred and are recognized when the related expenses are amortized to expense. During the year ended March 31, 2014, the Foundation contributed \$1,157,616 (2013 - \$745,392) to the Hospital for capital purchases and related costs. The receivable from the Foundation is \$153,959 (2013 - \$16,722) at March 31, 2014.

12. 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 (2013 - \$100,000).

For patient accounts receivable, the Hospital maintains an allowance for doubtful accounts, which reduced the receivable to its estimated realizable value. The receivable is adjusted on a monthly basis. 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.

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.

Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2014

12. Financial Instrument Risk Management (continued)

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, 2014 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.

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 credit, market, interest rate and liquidity risk.

13. Management Services Agreement

In 2008, the Hospital entered into a management services agreement with Southlake Regional Health Centre. The purpose of the agreement is to form a strategic association, whereby both Hospitals can improve clinical services, make certain defined resources available to the Hospitals 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 \$1,559,320 (2013 - \$1,224,661) for shared support services. This increase is due to new shared services entered into during 2014 which were not in existence in 2013. The agreement was amended and extended until March 31, 2019.

14. Comparative Figures

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

15. Economic Dependence

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