Financial statements

Woodstock General Hospital Trust

March 31, 2016

Building a better
working world

Independent auditors' report

To the Members of
Woodstock General Hospital Trust

Report on the financial statements

We have audited the accompanying financial statements of **Woodstock General Hospital Trust**, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net assets 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Woodstock General Hospital Trust** as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on other legal and regulatory requirements

As required by the Corporations Act (Ontario), we report that, in our opinion, Canadian public sector accounting standards have been applied on a basis consistent with the preceding year.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

London, Canada
May 31, 2016

Woodstock General Hospital Trust

Statement of financial position

As at March 31	2016	2015
	$	$
Assets		
Current		
Cash and cash equivalents *[note 4]*	**9,176,524**	2,490,098
Restricted cash *[notes 4 and 14]*	**13,584,349**	12,534,866
Ministry of Health and Long-Term Care / South West Local Health Integration Network accounts receivable	**—**	2,838,826
Other accounts receivable *[note 12]*	**3,480,259**	3,834,968
Inventories	**435,253**	523,293
Prepaid expenses	**1,242,381**	1,327,708
Current portion of long-term receivable *[note 14]*	**2,579,698**	2,422,149
Total current assets	**30,498,464**	25,971,908
Long-term investments *[note 5]*	**29,441**	34,441
Long-term receivable *[note 14]*	**152,849,846**	155,429,547
Capital assets, net *[note 6]*	**220,604,922**	227,884,337
	403,982,673	409,320,233
Liabilities and net assets		
Current		
Ministry of Health and Long-Term Care / South West Local Health Integration Network accounts payable	**137,501**	1,196,592
Other accounts payable and accrued liabilities	**12,342,446**	10,699,172
Current portion of deferred contributions *[note 7]*	**200,000**	250,000
Current portion of long-term obligation *[note 14]*	**2,579,698**	2,422,149
Total current liabilities	**15,259,645**	14,567,913
Post-employment benefits liability *[note 11[b]]*	**2,124,200**	1,974,400
Long-term deferred contributions *[note 7]*	**213,129,707**	218,935,462
Ministry of Health and Long-Term Care payable *[note 14]*	**9,592,472**	9,592,472
Long-term obligation *[note 14]*	**152,849,846**	155,429,547
Total liabilities	**392,955,870**	400,499,794
Commitments and contingencies *[notes 14, 15 and 16]*		
Net assets		
Endowments *[note 8]*	**542,398**	542,398
Unrestricted net assets	**10,484,405**	8,278,041
Total net assets	**11,026,803**	8,820,439
	403,982,673	409,320,233

See accompanying notes

On behalf of the Board:

Director

Ken Whiteford

Director

Woodstock General Hospital Trust

Statement of changes in net assets

Year ended March 31

	2016			2015
	Endowments	**Unrestricted**	**Total**	**Total**
	$	$	$	$
	[note 8]			
Balance, beginning of year	**542,398**	**8,278,041**	**8,820,439**	8,651,190
Surplus for the year	**—**	**2,206,364**	**2,206,364**	169,249
Balance, end of year	**542,398**	**10,484,405**	**11,026,803**	8,820,439

See accompanying notes

Woodstock General Hospital Trust

Statement of operations

Year ended March 31

	2016	2015
	$	$
Revenue		
Ministry of Health and Long-Term Care /		
South West Local Health Integration Network funding	**72,230,206**	66,666,881
Funding for Juliana facility *[note 14]*	**11,664,254**	12,113,824
Fee for services	**6,070,305**	5,963,057
Other patient	**887,692**	1,042,156
Preferred accommodation	**753,942**	522,885
Investment income	**59,952**	111,403
Other revenue	**11,697,350**	9,870,808
Other votes funding	**9,173,645**	9,131,402
Amortization of deferred contributions *[note 7]*	**8,292,228**	8,444,859
Gain (loss) on disposal of capital assets	**(848,265)**	1,806
	119,981,309	113,869,081
Expenses		
Salaries, wages and other remuneration	**52,776,408**	51,127,928
Employee benefits *[note 11]*	**9,169,342**	8,714,136
Supplies and other	**18,549,052**	17,264,686
Other votes expense	**9,180,995**	9,153,761
Medical and surgical supplies	**4,574,559**	4,245,150
Drugs	**3,442,894**	3,133,334
Interest on long-term obligation	**10,810,500**	10,950,192
Amortization of equipment, furnishings and software	**4,721,338**	4,573,656
Amortization of buildings and building service equipment	**4,549,857**	4,536,989
	117,774,945	113,699,832
Surplus for the year	**2,206,364**	169,249

See accompanying notes

Woodstock General Hospital Trust

Statement of cash flows

Year ended March 31

	2016	2015
	$	$
Operating activities		
Surplus for the year	**2,206,364**	169,249
Add (deduct) items not involving cash		
Amortization of equipment, furnishings and software	**4,721,338**	4,573,656
Amortization of buildings and building service equipment	**4,549,857**	4,536,989
Amortization of deferred contributions	**(8,292,228)**	(8,444,859)
(Gain) loss on disposal of capital assets	**848,265**	(1,806)
Increase in employee future benefits	**149,800**	84,300
	4,183,396	917,529
Net change in non-cash working capital balances related to operations *[note 13]*	**3,901,085**	(5,093,424)
Increase in deferred contributions related to expenses of future periods	**398**	2,308
Cash provided by (used in) operating activities	**8,084,879**	(4,173,587)
Capital activities		
Purchase of capital assets	**(2,849,793)**	(1,128,629)
Deferred contributions received related to capital assets	**2,415,175**	89,550
Proceeds on sale of capital assets	**9,748**	600
Cash used in capital activities	**(424,870)**	(1,038,479)
Financing activities		
Decrease in long-term obligation	**(2,422,152)**	(2,281,354)
Decrease in long-term receivable	**2,422,152**	1,699,634
Investment income on unspent capital contributions	**70,900**	73,877
Cash provided by (used in) financing activities	**70,900**	(507,843)
Investing activities		
Net change in long-term investments *[note 5[a]]*	**5,000**	5,000
Cash provided by investing activities	**5,000**	5,000
Net increase (decrease) in cash during the year	**7,735,909**	(5,714,909)
Cash position, beginning of year	**15,024,964**	20,739,873
Cash position, end of year	**22,760,873**	15,024,964
Cash position consists of		
Cash and cash equivalents	**9,176,524**	2,490,098
Restricted cash	**13,584,349**	12,534,866
	22,760,873	15,024,964

See accompanying notes

Notes to financial statements

March 31, 2016

1. Purpose of the organization

Woodstock General Hospital Trust [the “Hospital”] is a Canadian public hospital dedicated to patient care. The Hospital is incorporated without share capital under the Corporations Act of Ontario. The new 178-bed community hospital is located in the heart of southwestern Ontario. It serves a local catchment of 55,000 and over 100,000 within Oxford County. Services include Maternal/Child Women’s Health, Critical Care, Inpatient and Outpatient Clinics, Rehabilitation Mental Health and Chemotherapy. The Hospital works closely with its community partners to provide patients with healthcare services close to home. The Hospital is a registered charity under the Income Tax Act (Canada) and, as such, is not subject to income tax.

The Hospital operates under a Hospital Service Accountability Agreement [“H-SAA”] and a Multi-Sector Service Accountability Agreement [“M-SAA”] with the South West Local Health Integration Network [“SW-LHIN”]. These agreements set out the rights and obligations of the two parties in respect of funding provided to the Hospital. The H-SAA and M-SAA set out the funding provided to the Hospital together with performance standards and obligations that establish acceptable results for the Hospital’s performance. The Hospital retains any excess or deficiency of revenue over expenses during the year in accordance with the H-SAA.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with the Chartered Professional Accountants of Canada [“CPA Canada”] Public Sector [“PS”] Accounting Handbook, which sets out generally accepted accounting principles for government not-for-profit organizations in Canada. The Hospital has chosen to use the standards specific to government not-for-profit organizations [“GNPOs”] as set out in PS 4200 to PS 4270. The significant accounting policies are summarized as follows:

[a] Basis of presentation

These financial statements represent the operations of the Hospital including funds held for special or endowment purposes. The financial statements do not include the assets, liabilities and activities of any other organizations, such as the Woodstock Hospital Foundation [the “Foundation”] and volunteer associations which, although related to the Hospital, are not controlled by it.

[b] Remeasurement gains and losses

Remeasurement gains and losses are reported according to their nature, including changes in market value for derivatives, portfolio investments in equity instruments and financial instruments designated at fair value. Also included are gains or losses in foreign exchange for items denominated in a foreign currency. As at March 31, 2016, there was no change in accumulated surplus attributable to fair value changes or foreign currency translation; therefore, the statement of remeasurement gains and losses has not been included.

[c] Revenue recognition

The Hospital follows the deferral method of accounting for contributions. Unrestricted contributions are recorded as revenue when received or receivable if the amount to be received can be estimated and collection is reasonably assured. Externally restricted contributions are deferred when initially recorded in the accounts and recorded as revenue in the period in which the related expenses are recorded. Endowment contributions are recorded as direct increases in endowment net assets.

Contributions externally restricted for capital assets are recorded as deferred capital contributions and are amortized to operations on the same basis as the related asset is depreciated.

Revenue from ancillary services and other patient services are recognized when the goods have been sold or when the services have been rendered.

Investment income (loss) recorded in the statement of operations consists of interest, dividends, and realized gains and losses, net of related fees. Unrealized gains and losses are recorded in the statement of remeasurement gains and losses, except to the extent they relate to deferred contributions, in which case they are added to the deferred contributions.

[d] Cash, restricted cash and cash equivalents

Cash and cash equivalents consists of cash on deposit. Restricted cash and cash equivalents consist of cash on deposit and mutual fund investments, which are recorded at fair value at the year-end. Short-term investments readily convertible to cash included in restricted cash and cash equivalents were $616,080 [2015 – $639,044].

[e] Inventories

Inventories are valued at the lower of cost and replacement cost, with cost being determined on a first-in, first-out basis. Reviews for obsolete, damaged and expired items are performed on a regular basis, and any items that are found to be obsolete, damaged or expired are written off when such determination is made.

[f] Long-term investments

The Hospital has interests in economic activities where there is shared ownership of these activities by the venturers. The accounts of these joint venture activities are included in the accompanying financial statements following the modified equity method. The modified equity method is a basis of accounting for the Hospital's business partnerships, whereby the equity method of accounting is only modified to the extent the venturer's accounting policies are not adjusted to conform with those of the Hospital.

[g] Capital assets

Capital assets are valued at the cost incurred by the Hospital at the date of acquisition. All direct costs and interest related to building and equipment projects are capitalized during the period of construction until the project is complete.

Amortization is provided on a straight-line basis over the estimated useful lives of the assets. Amortization commences in the year an asset is put into use and is discontinued in the year of disposal. The rates of amortization are as follows:

Tangible	
Buildings	2%
Building service equipment	5% to 20%
Equipment and furnishings	5% to 20%
HUGO equipment	20%
Intangible	
Software	20%

When capital assets are disposed of, the related cost and accumulated amortization are removed from the respective accounts and any gain or loss is reflected in the statement of operations.

No amortization is recorded on construction in progress until construction is substantially complete and the assets are ready for productive use.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the asset no longer has any long-term service potential to the Hospital. When a capital asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value.

[h] Contributed services and materials

A substantial number of volunteers contribute a significant amount of their time each year. Because the fair value of these contributed services is not readily determinable, they are not recognized in these financial statements.

[i] Use of estimates

The preparation of the Hospital's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the statement of financial position and the reported amounts of revenue and expenses during the reporting period. The inherent uncertainty involved in making such estimates may impact the actual results reported in future periods.

The amount of revenue recognized from the Ministry of Health and Long-Term Care [the "MOH-LTC"] and the SW-LHIN requires estimation.

The H-SAA sets out certain performance standards and obligations that establish acceptable results for the Hospital's performance in a number of areas. If the Hospital does not meet its performance standards or obligations, the SW-LHIN and/or the MOH-LTC have the right to adjust funding received by the Hospital. The SW-LHIN and the MOH-LTC are not required to communicate certain funding adjustments until after the submission of the year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of the funding received during the year from the SW-LHIN and the MOH-LTC may be increased or decreased subsequent to the year-end.

Other significant items subject to such estimates and assumptions include the valuation of accounts receivable, the carrying amount of capital assets and the employee future benefits liability.

[j] Financial instruments

Financial instruments are classified in one of the following categories [i] fair value or [ii] cost or amortized cost. The Hospital determines the classification of its financial instruments at initial recognition. The financial instruments are measured as follows:

- Current and long-term receivables and accounts payable and accrued liabilities are measured at cost, net of any provisions for impairment.
- Long-term obligations are measured at amortized cost using the effective interest rate method, net of any provisions for impairment.

Transaction costs related to financial assets and financial liabilities measured at fair value are expensed to interest and other expenses, net, as incurred.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price at the trade date, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparisons with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

A change in the fair value of a financial instrument in the fair value category is recognized in the statement of remeasurement gains and losses as a remeasurement gain or loss until the financial instrument is derecognized. In the reporting period that a financial instrument in the fair value category is derecognized, the accumulated remeasurement gain or loss associated with the derecognized item is reversed and reclassified to the statement of operations. There were no changes in fair value of financial instruments during the year; therefore, no requirement for a statement of remeasurement gains and losses was required.

At each financial statement date, the Hospital assesses financial assets or groups of financial assets to determine whether there is any objective evidence of impairment. When there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. A loss in value of an investment that is other than a temporary decline occurs when the actual value of the investment to the Hospital becomes lower than its cost or amortized cost, adjusted for any write-downs recorded in previous reporting periods, and the impairment is expected to remain for a prolonged period. The write-down is included in the statement of operations. A write-down of an investment to reflect a loss in value is not to be reversed if there is a subsequent increase in value.

[k] Post-employment benefits

The Hospital accrues its obligations and the related costs under employee benefit plans. The cost of employee future benefits earned by employees is actuarially determined using the projected accrued benefit cost method pro-rated on service using best estimates of salary escalation, retirement ages of employees and expected health care costs. The discount rate used to determine the accrued benefit obligation represents the Hospital's cost of borrowing. Differences arising from past service costs are expensed in the period of plan amendment. Differences arising from changes in assumptions and actuarial gains and losses are amortized in the statement of operations on a straight-line basis over the expected average remaining active service life of employees.

[l] Multi-employer benefit plans

Defined contribution plan accounting is applied to the multi-employer defined benefit plan, whereby contributions are expensed on an accrual basis, as the Hospital has insufficient information to apply defined benefit plan accounting.

3. Woodstock Hospital Foundation

The Foundation is an organization without share capital under the laws of Ontario that engages in fundraising activities on behalf of the Hospital. The Foundation relies on the Hospital to provide payroll, facilities and other administrative support and reimburses the Hospital for costs incurred on its behalf. In addition, the Foundation transferred funds of $1,643,172 [2015 – $1,408,934] for capital purposes to the Hospital during the year [note 7].

4. Cash and cash equivalents and restricted cash

Cash and cash equivalents consist of the following:

	2016	**2015**
	$	$
Cash	**2,203,187**	671,723
Treasury account for operations	**6,973,337**	1,818,375
	9,176,524	2,490,098

Restricted cash consists of the following:

	2016	**2015**
	$	$
Internally restricted cash [a]	**681,798**	320,505
Endowments [b]	**542,398**	542,398
Externally restricted cash [c]	**12,360,153**	11,671,963
	13,584,349	12,534,866

[a] Internally restricted cash is restricted by the Hospital's board and management for non-operating purposes.

[b] The equity portion of the endowments must remain intact and the earned revenue on this fund can be used for other purposes.

[c] Externally restricted cash is restricted by the MOH-LTC for the construction and financing of the new hospital.

As at March 31, 2016, the credit facility established with the Hospital's bankers consisted of a credit line of $5,000,000 [2015 – $5,000,000] bearing interest at the bank's prime rate [2.7%] to be used for general operating purposes. No amount was drawn on this facility as at March 31, 2016 and 2015.

5. LONG-TERM INVESTMENTS

[a] Oxford ProResp Inc.

Effective January 1, 1995, Oxford ProResp Inc. was incorporated as a joint venture between the Hospital and a third party for the purposes of providing home care services to clients in Oxford County. In fiscal 2004, the common shares were then exchanged share for share for Class A common shares at an amount equal to the original value. The Hospital also received 100 special Class A shares in exchange for a promissory note in the amount of $100,000, which was fully repaid in fiscal 2001. The investment is being accounted for according to the modified equity method and, as such, is stated at cost plus income less dividends since inception.

	2016	2015
	$	$
Special Class A shares	**100,000**	100,000
Class A common shares	**50**	50
Share of income since inception	**617,891**	617,891
Dividends received since inception	**(688,500)**	(683,500)
	29,441	34,441

	2016	2015
	$	$
Hospital's share of total assets	**338,755**	314,547
Hospital's share of total liabilities	**143,443**	124,037

	2016	2015
	$	$
Hospital's share of cash provided by (used in) operating activities	**128,567**	105,612
Hospital's share of cash provided by (used in) investing activities	**(23,270)**	1,700
Hospital's share of cash provided by (used in) financing activities	**(95,500)**	(96,000)
Hospital's share of cash provided by (used in) operating, investing and financing activities	**9,797**	11,312

[b] Information Technology Purchased Services [“ITPS”]

ITPS is an unincorporated joint venture established to develop and operate a shared electronic health information management system. Services include information systems related to electronic patient records, Picture Archiving and Communication System and general ledger applications. The Hospital’s interest in ITPS is nominal. The Hospital purchased $1,349,474 of services from ITPS during the year [2015 – $1,221,987].

6. Capital assets

Capital assets consist of the following:

	2016		2015	
	Cost	**Accumulated amortization**	**Cost**	**Accumulated amortization**
	$	$	$	$
Tangible				
Land and land improvements –Riddell	**772,000**		1,344,118	—
Land and land improvements – Juliana	**1,785,345**		1,785,345	—
Building – Juliana	**219,508,938**	**20,966,071**	219,026,553	16,575,892
Building – Athlone	**8,001,802**	**520,855**	7,969,576	361,141
Equipment and furnishings	**34,155,525**	**23,433,629**	32,635,848	19,638,013
HUGO equipment	**2,140,166**	**1,193,377**	2,140,166	765,344
	266,363,776	**46,113,932**	264,901,606	37,340,390
Less accumulated amortization	**46,113,932**		37,340,390	
	220,249,844		227,561,216	
Intangible				
Software	**3,671,174**	**3,316,096**	3,459,281	3,136,160
Less accumulated amortization	**3,316,096**		3,136,160	
	355,078		323,121	
Net book value	**220,604,922**		227,884,337	

Notes to financial statements

March 31, 2016

7. Deferred contributions

Deferred contributions consist of the following:

	2016 $	2015 $
Expenses of future periods [a]	**1,214,765**	1,214,367
Capital assets [b]	**212,114,942**	217,971,095
	213,329,707	219,185,462
Less current portion of deferred contributions	**(200,000)**	(250,000)
	213,129,707	218,935,462

[a] Deferred contributions related to expenses of future periods

Deferred contributions related to expenses of future periods represent unspent grants and investment income earned on unspent externally restricted donations for nursing education and palliative care.

	2016 $	2015 $
Balance, beginning of year	**1,214,367**	1,212,059
Add investment income restricted for other operating purposes	**398**	2,308
Balance, end of year	**1,214,765**	1,214,367

[b] Deferred contributions related to capital assets

Deferred contributions related to capital assets are as follows:

	2016 $	2015 $
Balance, beginning of year	**217,971,095**	226,002,527
Additional contributions received *[note 3]*	**2,365,175**	1,809,943
Contributions netted against Riddell land	**—**	(1,470,393)
Investment income on unspent capital contributions	**70,900**	73,877
Less amounts amortized to revenue	**(8,292,228)**	(8,444,859)
Balance, end of year	**212,114,942**	217,971,095

The balance of deferred contributions related to capital assets consists of the following:

	2016	2015
	$	$
Unamortized capital contributions used to purchase capital assets	**208,958,447**	215,607,504
Unspent contributions	**3,156,495**	2,363,591
	212,114,942	217,971,095

8. Restrictions on net assets

All of the net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the principal be maintained intact in perpetuity, and that investment income on endowment funds be restricted for capital purposes and added to deferred capital contributions.

9. Agreement with the ministry of health and long-term care – diabetic education program

The Hospital has an agreement with the MOH-LTC to provide diabetes education services. One requirement of the agreement is the production by management of an Annual Program Expenditure Reconciliation Report, which shows a summary of all revenue and expenses and any resulting surplus or deficit that relates to the agreement. During the year, the Hospital received revenue and incurred costs as follows:

	2016	2015
	$	$
Revenue	**246,775**	246,775
Expenses	**253,270**	246,779
Deficit	**(6,495)**	(4)

10. Contract with the Ministry of Community and Social Services and the Ministry of Children and Youth Services

The hospital has a service contract with the Ministry of Community and Social Services, and the Ministry of Children and Youth Services. One requirement of the contract is the production by management of a transfer Payment Annual Reconciliation (TPAR), which shows a summary by service of all revenues and expenditures and any resulting surplus or deficit that relate to the contract. During the year, the Hospital received revenue and incurred expenses as follows:

Notes to financial statements

March 31, 2016

	9132	9135	8886	9137	Haldimand 9132
Ministry funding	4,053,636	328,492	2,293,942	839,200	211,209
Other revenue	58,052	—	—	—	—
Total revenue	4,111,688	328,492	2,293,942	839,200	211,209
Expenses					
Salaries and benefits	2,722,075	99,087	424,763	—	140,667
Allocated central admin	377,947	32,326	94,051	—	21,120
Transportation and communication	265,591	99,799	41,901	—	16,876
Services	554,114	96,562	1,693,461	839,052	28,317
Supplies and equipment	156,157	700	31,376	—	4,230
Other transactions	6,341	—	5,612	—	—
	4,082,225	328,474	2,291,164	839,052	211,210
Surplus (deficit)	**29,463**	**18**	**2,778**	**148**	**(1)**

	A349	A352	A354
Ministry funding	228,561	31,462	11,822
Other revenue	400	—	—
Total revenue	228,961	31,462	11,822
Expenses			
Salaries and benefits	233,341	31,615	7,066
Allocated central admin	—	—	—
Transportation and communication	—	—	—
Services	4,423	—	—
Supplies and equipment	—	1,575	1,575
Other transactions	—	—	—
	237,764	33,190	8,641
Surplus (deficit)	**(8,803)**	**(1,728)**	**3,181**

Notes to financial statements

March 31, 2016

11. Employee future benefits

[a] Pension plan

Pension benefit costs are expensed as related contributions are made to the Healthcare of Ontario Pension Plan ["HOOPP"]. All of the employees of the Hospital are members of HOOPP, which is a multi-employer, defined benefit, final average earnings and contributory pension plan. 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 provides the highest earnings. The Hospital's contributions to HOOPP during the year amounted to $4,150,369 [2015 – $4,007,814].

The most recent actuarial valuation for financial reporting purposes completed by HOOPP as at December 31, 2015 disclosed net assets available for benefits of $63,924 million [2014 – $60,848 million] with pension obligations of $49,151 million [2014 – $46,923 million] resulting in a surplus of $14,773 million [2014 – $13,925 million]. The cost of pension benefits is determined by HOOPP at $1.26 per every dollar of employee contributions. The plan is funded by HOOPP. As at December 31, 2015, HOOPP was 122% funded [2014 – 115%].

[b] Other post-employment benefits

Retirees are eligible for life insurance, medical and dental benefits covered under the non-pension post-retirement benefit plan after they turn 55. The plan is funded on a pay-as-you-go basis and the Hospital funds on a cash basis as benefits are paid. During the year, benefits paid totaled $82,208 [2015 – $81,139].

The most recent actuarial valuation was completed as at March 31, 2016 and significant actuarial assumptions adopted in measuring the Hospital's accrued benefit obligation for post-employment benefits are as follows:

	2016 $	**2015** $
Accrued benefit obligation		
Discount rate	**3.4%**	3.5%
Health care trend rate inflation increase	**7.2%**	7.3%
Accrued benefit expense		
Discount rate	**3.5%**	4.3%

The health care inflation increase is expected to decrease to an ultimate rate of 4.4% in 2033 and thereafter. The expected average remaining service life of employees is 12.6 years.

The following table presents information related to the Hospital's post-retirement benefits as at March 31, including the amounts recorded on the statement of financial position, and components of net periodic benefit cost:

	2016 $	2015 $
Accrued benefit obligation		
Balance, beginning of year	**2,221,100**	1,937,300
Current service cost	**148,200**	128,300
Plan amendment in year	**18,400**	—
Interest cost	**80,400**	84,900
Benefits paid	**(120,300)**	(135,600)
Actuarial loss	**16,400**	206,200
Balance, end of year	**2,364,200**	2,221,100
Unamortized net actuarial loss	**(240,000)**	(246,700)
Post-employment benefits liability	**2,124,200**	1,974,400

During the year, employees contributed $68,635 [2015 – $77,811]. Unamortized actuarial losses are amortized over the average remaining service period. The Hospital's benefit plan expense was as follows:

	2016 $	2015 $
Current service cost	**148,200**	128,300
Interest cost	**80,400**	84,900
Plan amendment losses	**18,400**	—
Amortization of net actuarial losses	**23,100**	6,700
Net benefit plan expense	**270,100**	219,900

12. Related party transactions

Amounts due from related entities included in other accounts receivable are as follows:

	2016 $	2015 $
Oxford ProResp Inc. *[note 5[a]]*	**161,000**	180,000
Woodstock Hospital Foundation *[note 3]*	**51,626**	14,577
	212,626	194,577

On June 1, 2016, the Board of Directors passed a resolution to transfer funds in the amount of $181,555 to the Woodstock Hospital Foundation. This transfer is recorded in accounts payable and supplies and other expenses.

13. Statement of cash flows

The net change in non-cash working capital balances related to operations consists of the following:

	2016	2015
	$	$
Decrease (increase) in current assets		
Accounts receivable	**3,193,535**	1,463,695
Inventories	**88,040**	(87,728)
Prepaid expenses	**85,327**	(363,905)
	3,366,902	1,012,062
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	**584,183**	(2,809,090)
Deferred contributions	**(50,000)**	(3,296,396)
	534,183	(6,105,486)
	3,901,085	(5,093,424)

14. Long-term obligation

The Hospital entered into an alternative financing and procurement ["AFP"] project agreement under Infrastructure Ontario for the construction, financing and maintenance of a new hospital in Woodstock. The project was built and financed during the construction period by an unrelated joint venture created to carry out the construction within the AFP agreement. Construction commenced in October 2008 and was substantially complete in June 2011. Under the terms of the project agreement, payments that total approximately $584 million will be made by the Hospital over a 30-year period with payments having commenced after the substantial completion date. Of this total amount, payments for principal and interest are expected to be $397 million. As at March 31, 2016, a long-term obligation of $155 million [2015 – $158 million] has been recorded related to outstanding principal amounts. Based on the agreement signed with the MOH-LTC, the Hospital has recognized the share of MOH-LTC funding for the new hospital as a long-term receivable in the amount of $155 million [2015 – $158 million] and a corresponding deferred contribution. The Hospital, through its Local Share Plan, will continue to receive funding to satisfy its obligations from the Foundation and the City of Woodstock, with the balance of funding (if any) coming from the Hospital.

Over the 30-year period, payments related to facilities and lifecycle maintenance are expected to be $141 million and $45 million, respectively. Payments related to facilities and lifecycle maintenance costs will be indexed over the term of the agreement to provide for changes in certain operating costs. The Hospital has entered into an agreement with the MOH-LTC to share in these project costs based on MOH-LTC funding policy. The MOH-LTC share of eligible construction costs in these projects is 90%.

In addition, a Sinking Fund Trust Account was opened by the Hospital according to requirements under the Development Accountability Agreement with the MOH-LTC. The primary purpose of this fund was to hold amounts equal to the Hospital's share of the construction project in trust for future disbursement to other parties. It currently holds approximately $292,800 in restricted cash [2015 – $38,000] [note 4].

Notes to financial statements

March 31, 2016

Unspent capital funds received or receivable of $9.6 million [2015 – $9.6 million] from the MOH-LTC for new hospital development costs are restricted by the MOH-LTC for that purpose and have been shown in the financial statements as part of the Ministry of Health and Long-Term Care payable and included in the Hospital's restricted cash [note 4].

15. Commitments

Future annual service and principal payments to pay for operating facility obligations are as follows:

	$
2017	2,767,799
2018	3,246,065
2019	3,201,898
2020	3,377,786
2021	4,397,930
Thereafter	182,936,140

A portion of these future obligations are to be funded by the MOH-LTC over the term of the contract.

16. Contingencies

[a] The Hospital is subject to certain actual and potential legal claims that have arisen in the normal course of operations. Where the potential liability is likely and able to be estimated, management records its best estimate of the potential liability. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses, related to claims will be recorded in the year during which the liability is able to be estimated or adjustments are determined to be required. With respect to claims as at March 31, 2016, it is management's position that the Hospital has valid defenses and appropriate insurance coverage to offset the cost of unfavourable settlements, if any, which may result from such claims.

[b] The Hospital is a member of the Healthcare Insurance Reciprocal of Canada ["HIROC"] and therefore has an economic interest in HIROC. HIROC is a pooling of the public liability insurance risks of its hospital members. All members of the HIROC pool pay annual premiums which are actuarially determined. All members are subject to assessment for losses, if any, experienced by the pool for the years in which they were members. No assessments have been made for the year ended March 31, 2016.

Since its inception in 1987, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income, less the obligation for claims reserves and expenses and operating expenses.

In 2012, the Hospital entered into an agreement with HIROC whereby HIROC continues to provide indemnity insurance to hospitals; however, the cost of investigating and defending any litigation claims, previously included in the insurance premium, will be borne by the Hospital. Under the agreement, the Hospital provides deposits to HIROC Management Limited, which acts as an agent to pay legal expenses on behalf of the Hospital. During the year, no deposits were paid to HIROC [2015 – nil].

17. Financial instruments

The Hospital is exposed to various financial risks through transactions in financial instruments.

The Hospital's financial instruments are exposed to certain financial risks, including interest rate risk, credit risk and liquidity risk. There have been no significant changes from the previous year in the exposure to risk, policies or procedures used to manage financial instrument risk.

Interest rate risk

Interest rate risk refers to the effect on the fair value or future cash flows of an investment due to fluctuations in interest rates. The Hospital is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rates on its cash and cash equivalents, investments and long-term debt. Changes in variable interest rates could cause unanticipated fluctuations in the Hospital's operating results.

To manage the risks identified for its investments, the Hospital has an investment policy setting out a target mix of investments designed to provide optimal rate of return within reasonable risk tolerances. The investment policy is renewed annually.

Interest rate risk is minimal as excess cash is held in high interest savings accounts with minimal changes to interest rates.

Credit risk

Credit risk is the risk of financial loss occurring as a result of default or insolvency of a borrower on its obligations to the Hospital. The Hospital monitors the credit risk on a regular basis. The Hospital is exposed to credit risk through the possibility of non-collection of its accounts receivable. The majority of the Hospital's receivables are from government entities, which minimizes the risk of non-collection. The maximum credit risk is the fair value of accounts receivable.

Liquidity risk

Liquidity risk is the risk of the Hospital being unable to meet its cash requirements in a timely and cost effective manner. The Hospital has a planning and budgeting process in place to help determine the funds required to support the Hospital's normal operating requirements on an ongoing basis. The Hospital also manages its liquidity risk by forecasting cash flows from operations and anticipated investing, capital and financing activities, and maintaining credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements.

Financial instrument classification

Financial instruments measured at fair value are classified according to a fair value hierarchy that reflects the reliability of the data used to determine fair value. The fair value hierarchy is made up of the following levels:

Level 1 – valuation based on quoted prices [unadjusted] in active markets for identical assets or liabilities;

Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Notes to financial statements

Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data [unobservable inputs].

The fair value hierarchy requires the use of observable data from the market each time such data exists. A financial instrument is classified at the lowest level of hierarchy for which significant input has been considered in measuring fair value.

The cash and investments held by the Hospital are classified as Level 1 and Level 2 respectively according to the fair value hierarchy described above. There have been no material transfers between Levels 1 and 2 for the year ended March 31, 2016.

18. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.