

Grey Bruce Health Services
Financial Statements
For the year ended March 31, 2018

Grey Bruce Health Services
Financial Statements
For the year ended March 31, 2018

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Independent Auditor's Report

To the Board of Directors and the Members of Grey Bruce Health Services

We have audited the accompanying financial statements of Grey Bruce Health Services, which comprise the statement of financial position as at March 31, 2018 and the statements of changes in net assets, remeasurement gains, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Grey Bruce Health Services as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

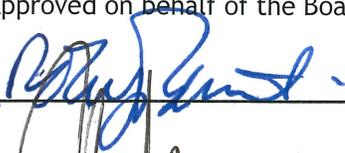
Chartered Professional Accountants, Licensed Public Accountants

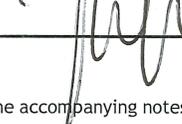
Owen Sound, Ontario
June 13, 2018

Grey Bruce Health Services
Statement of Financial Position
(In Thousands of Dollars)

March 31	2018	2017
Assets		
Current		
Cash and investments (Note 3)	\$ 40,481	\$ 25,702
Accounts receivable (Note 4)	7,509	9,788
Inventory	4,435	4,496
Prepaid expenses	2,336	1,847
	54,761	41,833
Capital assets (Note 5)	70,697	66,107
Promissory notes (Note 6)	344	456
	\$ 125,802	\$ 108,396
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 30,045	\$ 22,048
Post-employment benefits and compensated absences (Note 8)	9,761	9,016
Deferred contributions (Note 9)	63,113	55,578
	102,919	86,642
Net assets (Page 5)		
Internally restricted for capital asset replacement	12,332	14,770
Endowment fund	74	78
Unrestricted	10,464	6,889
	22,870	21,737
Accumulated remeasurement gains (Page 6)	13	17
	22,883	21,754
	\$ 125,802	\$ 108,396

Approved on behalf of the Board:





Director

Director

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

Grey Bruce Health Services
Statement of Changes in Net Assets
(In Thousands of Dollars)

March 31	Internally Restricted for Capital Asset Replacement	Endowment Fund	Unrestricted	Total 2018	Total 2017
Balance, beginning of the year	\$ 14,770	\$ 78	\$ 6,889	\$21,737	\$ 21,531
Revenue over expenditures (expenditures over revenue) (Page 7)	-	-	1,133	1,133	206
Unrealized loss on shares	-	(4)	4	-	-
Interfund transfers	(2,438)	-	2,438	-	-
Balance, end of the year	\$ 12,332	\$ 74	\$ 10,464	\$22,870	\$ 21,737

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

Grey Bruce Health Services
Statement of Remeasurement Gains
(In Thousands of Dollars)

<u>For the year ended March 31</u>	<u>2018</u>	<u>2017</u>
Accumulated remeasurement gains, beginning of the year	\$ 17	\$ 17
Unrealized losses attributed to investment	<u>(4)</u>	-
Accumulated remeasurement gains, end of the year	<u>\$ 13</u>	<u>\$ 17</u>

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

Grey Bruce Health Services
Statement of Operations
(In Thousands of Dollars)

For the year ended March 31	2018	2017
Revenue		
Ministry of Health and Long-Term Care (Note 10)	\$ 145,224	\$ 142,230
Patient revenue from other payors	16,119	15,922
Differential and co-payment revenue	3,112	3,009
Undistributed and miscellaneous revenue	22,038	21,605
Amortization of deferred contributions	5,551	5,473
	<u>192,044</u>	<u>188,239</u>
Expenses		
Salaries and wages	89,201	88,613
Employee benefits	25,377	23,888
Medical staff remuneration	17,634	17,267
Supplies and other expenses	26,771	26,083
Medical and surgical supplies	9,425	9,230
Drugs and medical gases	16,417	16,718
Equipment amortization	5,668	5,997
	<u>190,493</u>	<u>187,796</u>
Excess of revenue over expenditures (expenditures over revenue) before other	<u>1,551</u>	<u>443</u>
Other revenue (expenses)		
Program revenue from Ministry of Health and Long-Term Care	4,742	4,491
Program expenses for Ministry of Health and Long-Term Care	(4,782)	(4,491)
Amortization of deferred contributions	2,703	2,831
Amortization of building assets	(3,081)	(3,068)
	<u>(418)</u>	<u>(237)</u>
Excess of revenue over expenditures (expenditures over revenue)	<u>\$ 1,133</u>	<u>\$ 206</u>

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

Grey Bruce Health Services
Statement of Cash Flows
(In Thousands of Dollars)

For the year ended March 31	2018	2017
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures (expenditures over revenue)	\$ 1,133	\$ 206
Items not involving cash:		
Amortization of capital assets	8,751	9,065
Amortization of deferred contributions	(8,251)	(8,297)
Unrealized gain on shares	(4)	-
Accrued for post-employment benefits and compensated absences	746	207
Loss on disposal of capital assets	7	14
	<u>2,382</u>	<u>1,195</u>
Changes in non-cash working capital balances		
Accounts receivable	2,279	(1,341)
Inventory	61	(83)
Prepaid expenses	(489)	498
Accounts payable and accrued liabilities	7,997	(2,566)
	<u>12,230</u>	<u>(2,297)</u>
Financing activities		
Advance of promissory notes	(320)	(415)
Repayment of promissory notes	432	373
	<u>112</u>	<u>(42)</u>
Capital activities		
Purchase of capital assets	(13,349)	(11,914)
Receipt of capital grants	9,857	6,109
Receipt of restricted donations	5,929	4,944
	<u>2,437</u>	<u>(861)</u>
Net increase (decrease) in cash and investments during the year	14,779	(3,200)
Cash and investments, beginning of the year	25,702	28,902
Cash and investments, end of the year	\$ 40,481	\$ 25,702

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

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2018

1. Summary of Significant Accounting Policies

Nature and Purpose of Organization

Grey Bruce Health Services is incorporated without share capital under the laws of Ontario. Grey Bruce Health Services is principally involved in providing health services to the Villages of Lion's Head and Markdale, the Towns of Meaford, Wiarton and Southampton, the City of Owen Sound and surrounding areas. The Hospital is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

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. The Hospital Foundations referred to in the notes, are separate entities whose financial information is reported separately from the Hospital.

Cash and Investments

Cash and investments include cash on hand, deposits with banks and other highly liquid investments recorded at fair market value.

Inventories

Inventories are valued at the lower of cost and net realizable value. Warehouse inventory is determined on an average cost basis. All other inventory items are valued on a first-in, first-out basis. Inventory consists of medical and general supplies that are used in the Hospital's operations.

Capital Assets

Purchased capital assets are recorded at cost less accumulated amortization. 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. Construction in progress is not amortized until construction is substantially complete and the assets are ready for use.

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

Buildings, service equipment and land improvements	5 - 40 years
Major equipment	3 - 15 years

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2018

1. Summary of Significant Accounting Policies (continued)

Financial Instruments

The Hospital classifies its financial instruments as either fair value or amortized cost. The Hospital's accounting policy for each category is as follows:

Fair value

This category includes cash and investments. They are initially recognized at cost and subsequently carried at fair value. Changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, then they are transferred to the statement of operations. Changes in fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations.

Amortized cost

This category includes accounts receivable, promissory notes and accounts payable and accrued liabilities. 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.

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

Write-downs 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 write-down being recognized in the statement of operations.

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2018

1. Summary of Significant Accounting Policies (continued)

**Retirement and Post-
Employment Benefits and
Compensated Absences**

The Hospital provides defined retirement and post-employment benefits and compensated absences to certain employee groups. These benefits include pension, health and dental, vesting sick leave and non-vesting sick leave. The Hospital has adopted the following policies with respect to accounting for these employee benefits:

- (i) 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 services costs are recognized as an expense in the period of the plan amendment.
- (ii) The costs of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.
- (iii) The costs of vesting sick leave benefits are determined using management's best estimate of salary escalation, employees' use of entitlement and discount rates. Adjustments to these costs arising from changes in actuarial assumption and/or experience are recognized over the estimated average remaining service life of the employees.
- (iv) The discount rate used in the determination of the above mentioned liabilities is equal to the Hospital's rate of borrowing.

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2018

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Hospital follows the deferral method of accounting for contributions, which includes 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 South West Local Health Integration Network (LHIN). The Hospital entered into a Hospital Service Accountability Agreement (the H-SAA) in fiscal 2017 with the Ministry 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 Ministry/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.

If the Hospital does not meet its performance standards or obligations, the Ministry/LHIN has the right to adjust funding received by the Hospital. The Ministry/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 Ministry/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 the buildings has been reflected as an undernoted item in the statement of operations with the corresponding realization of revenues for deferred contributions.

Externally restricted investment income is accounted for as a liability until the restrictions imposed on the income have been met by the Hospital.

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2018

1. Summary of Significant Accounting Policies (continued)

Revenue

Recognition (continued) Revenue from patient services is recognized when the service is provided.

Ancillary revenues consists of parking, cafeteria, retail pharmacy and GBIN and revenue is recognized when the goods are sold and services provided.

**Contributed Materials
and Services**

Contributed materials, which are used in the normal course of the hospital's operations and would otherwise have been purchased, are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

Volunteers contribute many hours per year to assist the hospital in carrying out its service delivery activities. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Use of Estimates

The preparation of financial statements in accordance with PSAB for Government NPO's requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of the financial statements are the determination of the allowance for doubtful accounts, inventory obsolescence and estimated useful life of buildings, improvements and equipment, actuarial estimation of post-employment benefits and compensated absences liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.

**Liability for Contaminated
Sites**

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2018

2. Financial Instrument Classification

The Hospital's financial instruments consist of cash and investments, accounts receivable, promissory notes and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

	2018		
	Fair Value	Cost	Total
Cash and investments	\$ 40,481	\$ -	\$ 40,481
Accounts receivable	\$ -	\$ 7,509	\$ 7,509
Promissory notes	\$ -	\$ 344	\$ 344
Accounts payable and accrued liabilities	\$ -	\$ 30,045	\$ 30,045
	2017		
	Fair Value	Cost	Total
Cash and investments	\$ 25,702	\$ -	\$ 25,702
Accounts receivable	\$ -	\$ 9,788	\$ 9,788
Promissory notes	\$ -	\$ 456	\$ 456
Accounts payable and accrued liabilities	\$ -	\$ 22,048	\$ 22,048

The only financial instruments that are measured subsequent to initial recognition at fair value are cash and investments. These are fair value measurements that are derived from quoted prices (unadjusted) in the active markets for identical assets or liabilities using the last bid price.

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2018

3. Cash and Investments

	2018	2017
Unrestricted Investments		
Cash	\$ 28,013	\$ 10,831
Funds Internally Restricted for Capital Replacement		
Cash	12,332	14,770
Funds Restricted for Endowment Purposes		
Cash	70	31
Guaranteed Investment Certificate	1	1
BCE shares	65	69
	136	101
	\$ 40,481	\$ 25,702

Grey Bruce Health Services has an undrawn credit facility of \$6,750.

4. Accounts Receivable

	2018	2017
Ministry of Health and Long-Term Care	\$ 403	\$ 3,543
Due from Foundations	252	407
Current portion of promissory notes (Note 6)	409	381
Other	8,053	6,217
	9,117	10,548
Less: Allowance for doubtful	(1,608)	(760)
	\$ 7,509	\$ 9,788

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2018

5. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 853	\$ -	\$ 853	\$ -
Buildings, service equipment and land improvements	133,550	82,475	125,936	79,394
Major equipment	121,487	102,718	116,020	97,308
	\$ 255,890	\$ 185,193	\$ 242,809	\$ 176,702
		\$ 70,697		\$ 66,107

The Hospital acquired capital assets at an aggregate cost of \$13,348 (2017 - \$11,920) during the year.

The net book value of assets not being amortized because they are under construction (or in development) is \$4,271 (2017 - \$7,560).

In addition, the Hospital disposed of capital assets with a net book value of \$7 (2017 - \$14).

6. Promissory Notes

	2018	2017
Promissory notes, non-interest bearing, due dates vary from 2018 to 2021	\$ 753	\$ 837
Less: Current portion (Note 4)	(409)	(381)
	\$ 344	\$ 456

Annual repayments due over the next four years are as follows:

2018	\$	409	
2019		244	
2020		89	
2021		11	
		11	
	\$	753	

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2018

7. Accounts Payable and Accrued Liabilities

	2018	2017
Trade accounts payable and accrued liabilities	\$ 29,056	\$ 21,059
Ministry of Health and Long-Term Care	989	989
	\$ 30,045	\$ 22,048

8. Post-Employment Benefits and Compensated Absences

(a) Post-Employment Benefits

The Hospital provides post-employment benefits comprised of extended health care, dental and semi-private insurance benefits to substantially all full-time employees. At March 31, 2018, the Hospital's accrued benefit obligation relating to these post-retirement benefit plans is \$9,513 (2017 - \$8,743) comprised as follows:

	2018	2017
Accrued benefit obligation, beginning of the year	\$ 8,743	\$ 8,464
Annual benefit cost	531	505
Employer contributions	(281)	(236)
Other	520	10
	9,513	8,743
Employee future benefits liability	9,513	8,743
Vested sick leave	248	273
	9,761	9,016
	\$ 9,761	\$ 9,016

Annual benefit costs are comprised as follows:

	2018	2017
Current service cost	\$ 388	\$ 365
Interest cost	248	247
Amortization of net actuarial loss	(105)	(107)
	531	505
Annual benefit cost	\$ 531	\$ 505

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2018

8. Post-Employment Benefits and Compensated Absences (continued)

The most recent actuarial valuation was done as of March 31, 2016. The significant actuarial assumptions adopted in estimating the Hospital's accrued benefit obligation and benefit costs are as follows:

	2018	2017
Discount rate	3.37%	3.56%
Hospital cost escalation	4.00%	4.50%
Drug, vision and other medical cost escalation (decreasing to 4% over 20 years)	8.00%	8.00%
Dental benefits cost escalation	4.00%	4.50%

(b) Pension Plan

Substantially all of the employees of the Grey Bruce Health Services are eligible for membership in the Healthcare of Ontario Pension Plan (HOOPP), a multi-employer, defined benefit pension plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five consecutive years prior to retirement, termination or death.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and 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 amounts contributed by the 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.

Variances between actuarial funding estimates and the actual experience may be material and any differences are generally to be funded by the participating members. Employer contributions made to the Plan during the year by Grey Bruce Health Services amounted to \$7,465 (2017 - \$7,404). These amounts are included in employee benefits expense in the Statement of Revenues and Expenditures. The most recent actuarial valuation of the Plan was as at December 31, 2016.

HOOPP is a multi-employer plan, therefore, any pension plan surpluses or deficits are a joint responsibility of the employers and employees. Grey Bruce Health Services does not recognize any share of the HOOPP pension surplus or deficit. The plan has reported a \$18.2 billion actuarial surplus at the end of December 31, 2017 (2016 - \$15.9 billion surplus), based on actuarial liabilities of \$59.6 billion (2016 - \$54.5 billion) and actuarial net assets of \$77.8 billion (2016 - \$70.4 billion).

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2018

8. Post-Employment Benefits and Compensated Absences (continued)

(c) Compensated Absences

Vesting Sick Leave

Past union contracts included provisions for employees to accrue 1.5 days per month for use as a compensated absence in the event of illness or injury. Employees were permitted to accumulate their unused allocation up to the allowable maximum provided in their respective union contract.

Upon termination of employment, the employee is eligible for cash payment of 50% of the vested hours. The hours are paid out at the salary rate in effect at the time of payment, unless the employees payment amount has been pre-determined.

At March 31, 2018, included in post-employment benefits and compensated absences is vested sick leave of \$248 (2017 - \$273).

The assumptions used in the valuation of vesting sick leave are the Hospital's best estimates of expected rates of:

	2018	2017
Discount rate	3.37%	3.56%
Wage and salary escalation	2.00%	2.00%

9. Deferred Contributions

Deferred contributions represent unspent externally restricted funding that has been received and relates to a subsequent year. Changes in the contributions deferred to future periods are as follows:

	2018	2017
Balance, beginning of the year	\$ 55,578	\$ 52,821
Add: Contributions received for capital purposes	15,786	11,054
Less: Amortization of contributions	(8,251)	(8,297)
Balance, end of the year	\$ 63,113	\$ 55,578

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2018

10. Ministry of Health and Long-Term Care

	2018	2017
Global Funding	\$ 67,736	\$ 66,850
Health Based Allocation Model (HBAM)	40,880	40,041
Quality Based Procedures (QBP)	16,961	15,101
Cancer Care Ontario (CCO)	11,153	10,552
Other	8,494	9,686
	\$ 145,224	\$ 142,230

11. Hospital Foundations

The Hospital receives support from various Foundations and Auxiliaries. The Foundations and Auxiliaries are independent corporations incorporated without share capital with their own independent Board of Directors.

At March 31, 2018, the Hospital has a receivable from the Foundations of \$252 (2017 - \$407). Total funds received from the Foundations and Auxiliaries for fiscal 2018 amounted to \$5,928 (2017 - \$4,922).

12. Diabetes Education Programs

In accordance with Section 2.9 of the Policy and Procedure Manual for Diabetes Education Programs Funded to Serve Adult Clients, jointly developed by the MOHLTC and OLHIN's, the following disclosure has been provided to support the expenditures incurred by the DEP operating by Grey Bruce Health Services.

	2018	
	Adult	Pediatric
Annual funding	\$ 1,110	\$ 167
Operating Expenses		
Salaries and benefits	982	148
Professional development	3	1
Purchased services	8	-
General operating expenses	23	4
Travel and transport	22	1
Administration fees	72	13
	1,110	167
Operating income	\$ -	\$ -

Grey Bruce Health Services
Notes to Financial Statements
(In Thousands of Dollars)

March 31, 2018

13. Commitments

As at March 31, 2018, the Hospital has committed to complete a 10,000 square-foot addition to the Emergency department and a major renovation of the Laboratory at the Southampton Hospital site. The contract was awarded to Maystar General Contractors Inc. on March 18, 2016 at an approximate cost of \$7,280. Construction began in April 2016. To date, the Hospital has paid costs totaling approximately \$6,390 (2017 - \$4,922) relating to this commitment for planning, design and construction.

As at March 31, 2018, the Hospital had awarded a contract to Dialog Ontario Inc. to provide architectural and consulting services for the greenfield capital redevelopment project for the Markdale Hospital at an approximate cost of \$4,044. Professional services began in August 2017. To date, the hospital has paid costs totaling approximately \$682 related to this commitment.

Both Southampton and Markdale are ministry supported redevelopment projects for which eligible building and design costs will be 90% funded from the Ministry. The remaining 10% represents the local share which will be funded by the Hospital and its fundraising sources.

14. Contingencies

Grey Bruce Health Services is involved in various legal proceedings and believes it has adequate legal defences and/or insurance coverage with respect to these actions. However, it is possible that these cases could result in outcomes unfavourable to the Hospital. The outcome of litigation is inherently difficult to predict. In the event of an adverse outcome, management believes the amount of any such loss in excess of insurance coverage would not be material.

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. Members are subject to assessment for losses, if any, experienced by the pool for the year in which they were members. No assessments have been made to March 31, 2018, with respect to claims.

March 31, 2018

15. 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 investments, promissory notes and accounts receivable. The Hospital holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the Hospital's cash accounts are insured up to \$500,000 (2017 - \$500,000).

The Hospital's investment policy operates within the constraints of the investment guidelines issued by the Ministry of Health and Long-Term Care in relation to their funding agreements and puts limits on the investment portfolio including portfolio composition limits, issuer type limits, bonds quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographical exposure.

The maximum exposure to investment credit risk is outlined in Note 2.

Accounts receivable are primarily due from OHIP, the Ministry of Health and Long-Term Care 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.

Any amounts aged greater than 90 days owing from patients that have not had a corresponding impairment allowance setup against them, are collectible based on the Hospital's past experience. Management has reviewed the individual balances and based on 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.

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 this risk through its interest bearing investments.

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.

March 31, 2018

15. Financial Instrument Risk Management (continued)

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 maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise.

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.
