

LADY MINTO HOSPITAL

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

MARCH 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Lady Minto Hospital

Report on the Financial Statements

We have audited the accompanying financial statements of Lady Minto Hospital, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, remeasurement gains, 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 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 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.

INDEPENDENT AUDITOR'S REPORT, (CONT'D)

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 organization'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 organization'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 Lady Minto Hospital as at March 31, 2016, and the results of its operations, its remeasurement gains and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations.

Collins Barrow Gagné Gagnon Bisson Hébert

Chartered Professional Accountants
Licenced Public Accountants
June 14, 2016

LADY MINTO HOSPITAL

FINANCIAL STATEMENTS

MARCH 31, 2016

Statement of Operations	1
Statement of Remeasurement Gains	2
Statement of Changes in Net Assets	3
Statement of Financial Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 21
Schedule of Ministry of Health and Long-Term Care	22
Schedule of Salaries and Wages	22
Schedule of Supplies and Other Expenses	22
Schedule of Villa Minto Nursing Home - Statement of Operations	23

LADY MINTO HOSPITAL

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2016

	Budget (Unaudited)	2016 Actual	2015 Actual
REVENUES			
Ministry of Health and Long-Term Care, schedule 1	\$ 11,369,059	\$ 11,293,867	\$ 11,382,846
Cancer Care Ontario	565,000	311,546	306,867
Ontario Health Insurance	259,500	169,287	196,705
Other patient care revenue	203,950	277,141	265,714
Recoveries and other revenue	876,250	1,080,006	963,012
Investment income	50,000	109,686	93,109
Amortization of deferred capital contributions - equipment and software	160,000	130,645	122,677
	<u>13,483,759</u>	<u>13,372,178</u>	<u>13,330,930</u>
EXPENSES			
Salaries and wages, schedule 2	6,087,678	5,623,287	5,760,170
Employee benefits	1,646,191	1,791,366	1,681,037
Medical staff remuneration	1,791,500	1,594,687	1,694,630
Supplies and other expenses, schedule 3	2,796,438	2,808,555	2,636,130
Medical and surgical supplies	223,250	205,417	221,440
Drugs and medical gases	573,000	538,643	500,682
Amortization of equipment and software	358,000	266,766	310,376
	<u>13,476,057</u>	<u>12,828,721</u>	<u>12,804,465</u>
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS			
	<u>7,702</u>	<u>543,457</u>	<u>526,465</u>
Amortization of deferred capital contributions - buildings	225,000	256,863	230,082
Amortization of buildings	(500,000)	(551,180)	(533,830)
	<u>(275,000)</u>	<u>(294,317)</u>	<u>(303,748)</u>
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES) BEFORE OTHER PROGRAMS AND OTHER VOTES			
	<u>(267,298)</u>	<u>249,140</u>	<u>222,717</u>
OTHER PROGRAMS			
Villa Minto Nursing Home - Deficit, schedule 4	-	(220,982)	(180,336)
	<u>(267,298)</u>	<u>28,158</u>	<u>42,381</u>
OTHER VOTES - MUNICIPAL LEVY			
Revenue	4,350	4,350	4,350
Expense	(4,350)	(4,350)	(4,350)
	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)			
	<u>\$ (267,298)</u>	<u>\$ 28,158</u>	<u>\$ 42,381</u>

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

LADY MINTO HOSPITAL
STATEMENT OF REMEASUREMENT GAINS
YEAR ENDED MARCH 31, 2016

	2016	2015
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF YEAR	\$ 237,465	\$ 151,759
Unrealized gains (losses) on investments	(55,341)	126,793
Realized gains on disposition of investments	(53,813)	(41,087)
NET INCREASE (DECREASE) IN UNREALIZED GAINS ON INVESTMENTS	(109,154)	85,706
ACCUMULATED REMEASUREMENT GAINS, END OF YEAR	\$ 128,311	\$ 237,465
ACCUMULATED REMEASUREMENT GAINS ARE ATTRIBUTABLE TO:		
Domestic investments	\$ 77,821	\$ 141,992
Foreign investments	50,490	95,473
	\$ 128,311	\$ 237,465

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

LADY MINTO HOSPITAL**STATEMENT OF CHANGES IN NET ASSETS****YEAR ENDED MARCH 31, 2016**

	Invested in Capital Assets and Intangible Assets (note 13)	Unrestricted	Total 2016	Total 2015
BALANCE, BEGINNING OF YEAR	\$ 7,570,175	\$ 3,527,775	\$ 11,097,950	\$ 10,969,863
EXCESS OF REVENUES OVER EXPENSES	-	28,158	28,158	42,381
NET CHANGE IN INVESTED IN CAPITAL ASSETS AND INTANGIBLE ASSETS (note 13)	750,384	(750,384)	-	-
NET INCREASE (DECREASE) IN UNREALIZED GAINS ON INVESTMENTS	-	(109,154)	(109,154)	85,706
BALANCE, END OF YEAR	\$ 8,320,559	\$ 2,696,395	\$ 11,016,954	\$ 11,097,950

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

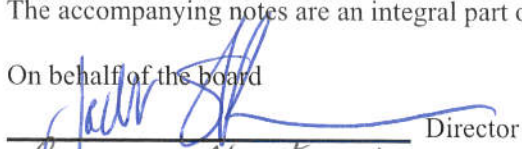
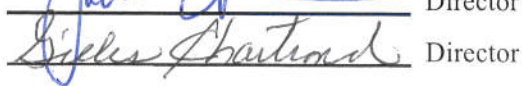
LADY MINTO HOSPITAL
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2016

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 878,214	\$ 1,842,234
Accounts receivable (note 4)	727,579	559,814
Prepaid expenses	130,303	-
Inventories	197,361	198,093
Due from MICs Group of Health Services (note 5)	-	808,975
	<u>1,933,457</u>	<u>3,409,116</u>
LONG-TERM RECEIVABLES (note 6)	131,221	147,272
INVESTMENTS (note 7)	2,986,247	2,021,695
CAPITAL ASSETS (note 8)	11,637,519	9,854,014
INTANGIBLE ASSETS (note 9)	<u>539,946</u>	<u>578,514</u>
	<u>\$ 17,228,390</u>	<u>\$ 16,010,611</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 10)	\$ 614,974	\$ 712,539
Deferred revenue	9,344	-
Due to MICs Group of Health Services (note 5)	<u>357,114</u>	<u>-</u>
	<u>981,432</u>	<u>712,539</u>
POST-EMPLOYMENT BENEFITS PAYABLE (note 11)	1,340,173	1,279,210
DEFERRED CAPITAL CONTRIBUTIONS (note 12)	<u>3,889,831</u>	<u>2,920,912</u>
	<u>6,211,436</u>	<u>4,912,661</u>
NET ASSETS		
INVESTED IN CAPITAL ASSETS AND		
INTANGIBLE ASSETS (note 13)	8,320,559	7,570,175
UNRESTRICTED	<u>2,696,395</u>	<u>3,527,775</u>
	<u>11,016,954</u>	<u>11,097,950</u>
	<u>\$ 17,228,390</u>	<u>\$ 16,010,611</u>

CONTINGENCIES AND COMMITMENTS - note 16

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

On behalf of the board

 Director
 Director

LADY MINTO HOSPITAL

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2016

	2016	2015
OPERATING ACTIVITIES		
EXCESS OF REVENUES OVER EXPENSES	\$ 28,158	\$ 42,381
Items not involving cash:		
Amortization of capital assets - buildings	551,180	533,830
Amortization of capital assets - equipment and software	266,766	310,376
Amortization of capital assets - Villa Minto Nursing Home	24,268	25,802
Amortization of intangible assets - Villa Minto Nursing Home	38,568	38,568
Amortization of deferred capital contributions - buildings	(256,863)	(230,082)
Amortization of deferred capital contributions - equipment and software	(130,645)	(122,677)
Amortization of deferred capital contributions - Villa Minto Nursing Home	(6,704)	(11,967)
Realized gains on disposition of investments	(53,813)	(41,087)
Accrual for post-employment benefits	60,963	13,561
Transfer of deferred capital contributions from (to) accounts payable	92,805	(92,805)
	614,683	465,900
Changes in:		
Accounts receivable	(167,765)	(2,751)
Prepaid expenses	(130,303)	15,648
Inventories	732	66,141
Accounts payable and accrued liabilities	(97,565)	288,844
Deferred revenue	9,344	(102,000)
Long-term receivables	16,051	30,661
	245,177	762,443
INVESTING ACTIVITIES		
Purchase of investments	(1,000,000)	-
Net investment purchases within portfolio	(19,893)	(54,303)
Advances from MICs Group of Health Services	27,711,614	15,092,691
Advances to MICs Group of Health Services	(26,545,525)	(15,244,972)
	146,196	(206,584)
CAPITAL ACTIVITIES		
Purchase of capital assets	(2,625,719)	(960,713)
Capital contributions received	1,270,326	402,649
	(1,355,393)	(558,064)
CHANGE IN CASH POSITION	(964,020)	(2,205)
CASH POSITION, BEGINNING OF YEAR	1,842,234	1,844,439
CASH POSITION, END OF YEAR	\$ 878,214	\$ 1,842,234

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

LADY MINTO HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

1. STATUS AND NATURE OF OPERATIONS

The Hospital, incorporated under the Ontario Business Corporation Act, without share capital, operates a Hospital under the Charitable Institutions Act, at 241 8th Street, Cochrane, Ontario. The Hospital is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements 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 and includes the following significant accounting policies:

BASIS OF PRESENTATION

The financial statements include the assets, liabilities and activities of the Hospital. The revenues, expenses, assets and liabilities with respect to the operations of the Hospital Auxiliary and the MICs Healthcare Foundation are not reflected in these financial statements except to the extent that the funds have been received from or disbursed to them.

REVENUE RECOGNITION

The financial statements have been prepared using the deferral method of accounting. Under the deferral method, revenues are recorded in the period to which they relate.

Under the Health Insurance Act and the regulations thereto, the Hospital is funded primarily by the North East Local Health Integration Network (North East LHIN) in accordance with the terms and conditions in the Hospital Service Accountability Agreement.

Unrestricted contributions, including operating grants are recorded as revenue in the period to which they relate. Grants approved but not yet received at the end of the year are accrued.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Grants and donations received for the acquisition of specific capital assets are recorded as deferred capital contributions and recognized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Revenue from the provincial insurance plans, and uninsured patients, operational revenue and other services and recoveries are recognized as revenue when received or receivable if the amount to be recorded can be reasonably estimated and the collection is reasonably assured.

Investment income is recognized as revenue when earned.

LADY MINTO HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

INVENTORIES

Inventories of all hospital supplies are valued at the lower of average cost and replacement value and include only those supplies located in central storage areas and not supplies that have been issued to departments for direct patient care.

CAPITAL ASSETS

The acquisition of capital assets are recorded at their historical cost less amortization. Contributed capital assets are recorded at fair value at the date of contribution. Betterments which 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 amount is reduced to reflect the decline in the asset's value. The writedown is recorded in the statement of operations.

Amortization is calculated on a straight line basis using rates as set out in the Ontario Health Care Reporting System Guidelines. The estimated useful lives of the assets are as follows:

Land improvements	20 years
Buildings	10-40 years
Equipment	5-20 years
Software	3-5 years

The cost of capital projects in progress is recorded as capital assets and no amortization is taken until the project is substantially completed and the asset is ready for productive use. The Hospital allocates salary and benefit costs when personnel work directly in managing or implementing the capital project.

CONTRIBUTED SERVICES AND MATERIALS

Volunteers contribute significant hours of their time each year to assist the Hospital in carrying out certain charitable activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in these financial statements. Contributed materials are also not recognized in these financial statements.

FUNDING

Under the current funding policy, the Hospital is essentially funded by using a budget base approved by the North East Local Health Integration Network. The Hospital is allowed to retain any excess of revenues over expenses derived from its operations and, conversely, retains responsibility for any deficit it may occur.

LADY MINTO HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

RETIREMENT AND POST-EMPLOYMENT BENEFIT PLANS

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

Multi-employer defined benefit pension

Substantially all of the employees of the Hospital are eligible to be members of the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer, defined benefit, final average earnings, contributory pension plan. Defined contribution plan accounting is applied to HOOPP, whereby contributions are expensed when due, as the Hospital has insufficient information to apply defined benefit accounting.

Post-employment benefits

i) The costs of post-employment future benefits are actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages, 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.

ii) Past service costs (if any) arising from plan amendments are immediately recognized.

iii) The discount rate used in the determination of the above-mentioned liability is the discount rate recommended by the Ministry of Health and Long-Term Care.

FINANCIAL INSTRUMENTS

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

Fair Value

This category includes derivatives and equity instruments quoted in an active market. The Hospital has designated its cash and cash equivalents and its investments at fair value as they are managed and evaluated on a fair value basis.

They are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

LADY MINTO HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES, (CONT'D)

FINANCIAL INSTRUMENTS, (CONT'D)

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, due from/to MICs Group of Health Services, long-term receivables 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.

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.

MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include the allowance for doubtful accounts receivable, the useful life of capital assets, the actuarial estimation of post-employment benefits, accrued liabilities and contingencies. Actual results could differ from those estimates.

LADY MINTO HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

3. FINANCIAL INSTRUMENT CLASSIFICATION

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk and liquidity risk would be the carrying value as shown below:

	2016		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	\$ 878,214	\$ -	\$ 878,214
Accounts receivable	\$ -	\$ 727,579	\$ 727,579
Long-term receivables	\$ -	\$ 131,221	\$ 131,221
Investments	\$ 2,986,247	\$ -	\$ 2,986,247
Accounts payable and accrued liabilities	\$ -	\$ 614,974	\$ 614,974
Due to MICs Group of Health Services	\$ -	\$ 357,114	\$ 357,114

	2015		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	\$ 1,842,234	\$ -	\$ 1,842,234
Accounts receivable	\$ -	\$ 559,814	\$ 559,814
Due from MICs Group of Health Services	\$ -	\$ 808,975	\$ 808,975
Long-term receivables	\$ -	\$ 147,272	\$ 147,272
Investments	\$ 2,021,695	\$ -	\$ 2,021,695
Accounts payable and accrued liabilities	\$ -	\$ 712,539	\$ 712,539

The following provides details of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;

Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash and cash equivalents and investments are considered Level 1 fair value. There were no transfers between levels for the year ended March 31, 2016.

LADY MINTO HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

4. ACCOUNTS RECEIVABLE

	2016	2015
Ministry of Health and Long-Term Care	\$ 5,045	\$ 17,879
Insurers and patients	219,329	221,192
HST rebates receivable	353,481	148,475
Other receivables	174,233	172,268
	752,088	559,814
Allowance for doubtful accounts	(24,509)	-
	<u>\$ 727,579</u>	<u>\$ 559,814</u>

5. DUE FROM/TO MICS GROUP OF HEALTH SERVICES

The Hospital exercises significant influence over the MICs Group of Health Services (MICs) by virtue of it being a member of the Partnership and its ability to appoint some of the members of the Board of Directors. The Partnership was established to increase opportunities for collaboration between its member hospitals (Bingham Memorial Hospital, Anson General Hospital and Lady Minto Hospital) in the sharing of costs and provision of health services. The Partnership is a non-profit organization.

Included in the Hospital's expenses for the year is \$ 9,783,279 (2015 - \$ 9,797,778) paid or payable to the Partnership for the Hospital's share of various cost functions primarily administration and support services. The share of costs to participating hospitals are set by a methodology agreed to by the Board on a cost recovery basis. The deficiency of amounts paid or to be paid by MICs on behalf of the Hospital over amounts received by MICs on behalf of the Hospital is noted below:

	2016	2015
Due from MICs Group of Health Services	<u>\$ -</u>	<u>\$ 808,975</u>
	2016	2015
Due to MICs Group of Health Services	<u>\$ 357,114</u>	<u>-</u>

The balance due from MICs Group of Health Services is unsecured, non-interest bearing with no specific terms of repayment. These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

LADY MINTO HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

5. DUE FROM/TO MICS GROUP OF HEALTH SERVICES, (CONT'D)

Information systems network, software and hardware, as well as office equipment shared by the three participating hospitals are recorded as capital assets and the respective Hospital's share of the related costs are recorded when the capital assets are amortized. Any capital contributions, grants or donations received for the acquisition of capital assets are deferred and the respective Hospital's share of the related revenue is recorded when the contribution is amortized.

6. LONG-TERM RECEIVABLES

	2016	2015
Physician and nursing recruitment incentive agreements, interest free, unsecured, due over varying terms	\$ 131,221	\$ 147,272

7. INVESTMENTS

	2016 Cost	2016 Fair Market Value	2015 Cost	2015 Fair Market Value
Equity instruments, carried at fair market value	\$ 773,527	\$ 878,173	\$ 602,306	\$ 697,437
Guaranteed Investment Certificates, earning interest at rates between 1.93% and 3.68%, maturing at various dates, carried at fair market value	2,084,409	2,108,074	1,266,322	1,324,258
	\$ 2,857,936	\$ 2,986,247	\$ 1,868,628	\$ 2,021,695

LADY MINTO HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

8. CAPITAL ASSETS

	Cost	Accumulated Amortization	2016 Net	2015 Net
Land	\$ 86,514	\$ -	\$ 86,514	\$ 86,514
Land improvements	124,532	-	124,532	124,532
Buildings	20,515,056	10,141,596	10,373,460	8,647,477
Equipment	6,129,838	5,083,535	1,046,303	982,068
Software	54,998	48,288	6,710	13,423
	<u>\$ 26,910,938</u>	<u>\$ 15,273,419</u>	<u>\$ 11,637,519</u>	<u>\$ 9,854,014</u>

As at March 31, 2016, there were \$ 1,837,401 (2015 - \$ 109,056) of capital projects in progress. These assets were not amortized.

9. INTANGIBLE ASSETS

	Cost	Accumulated Amortization	2016 Net	2015 Net
Nursing home licence	\$ 771,354	\$ 231,408	\$ 539,946	\$ 578,514

In 1998, the Hospital acquired the Nursing Home Licence to operate a 33 bed Nursing Home pursuant to the Nursing Home Act (Ontario), with an additional four beds held in abeyance by the Ministry of Health and Long-Term Care for the Hospital. The Nursing Home Licence was recorded at cost and was not amortized considering that the licence was not issued for a specified period of time.

Under the Long-Term Care Homes Act (Ontario) and related Regulations which became in effect as of July 1, 2010, a replacement licence for 33 beds was issued for a period of 20 years expiring June 30, 2030, with provisions allowing for issuance of a new licence under particular conditions. The cost of the original licence is now being amortized on a straight line basis over the term of the agreement. A licence may be revoked under particular conditions set out in the Act.

LADY MINTO HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Ministry of Health and Long-Term Care	\$ 255,702	\$ 271,497
Trades payable and accrued liabilities	359,272	441,042
	<u>\$ 614,974</u>	<u>\$ 712,539</u>

11. POST-EMPLOYMENT BENEFITS PAYABLE

The Hospital extends post employment extended health coverage, dental benefits and life insurance to certain employee groups subsequent to their retirement. The Hospital recognizes these benefits as they are earned during the employees' tenure of service. The related liability was determined by an actuarial valuation dated May 13, 2016 for the year ended March 31, 2016.

The following tables outlines the components of the Hospital's accrued post-employment benefit liability and benefit expense:

ACCRUED BENEFIT LIABILITY

	Hospital	Share of MICS	2016 Total	2015 Total
Accrued benefit obligation	\$ 1,053,316	\$ 94,648	\$ 1,147,964	\$ 1,297,339
Unamortized actuarial loss (gain)	184,680	7,529	192,209	(18,129)
Accrued benefit liability	<u>\$ 1,237,996</u>	<u>\$ 102,177</u>	<u>\$ 1,340,173</u>	<u>\$ 1,279,210</u>

LADY MINTO HOSPITAL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

11. POST-EMPLOYMENT BENEFITS PAYABLE, (CONT'D)

BENEFIT EXPENSE

	Hospital	Share of MICS	2016 Total	2015 Total
Accrued benefit obligation, beginning of year	\$ 1,189,746	\$ 107,593	\$ 1,297,339	\$ 998,486
Unamortized actuarial loss (gain)	(6,353)	(11,776)	(18,129)	267,163
Accrued benefit liability, beginning of year	1,183,393	95,817	1,279,210	1,265,649
Current service cost	64,947	7,549	72,496	57,562
Interest on obligation	39,628	3,570	43,198	43,749
Amortization of actuarial loss (gain)	(794)	1,451	657	(31,451)
Benefit expense	103,781	12,570	116,351	69,860
Benefit payment	(49,178)	(6,210)	(55,388)	(56,299)
Accrued benefit liability, end of year	\$ 1,237,996	\$ 102,177	\$ 1,340,173	\$ 1,279,210

The above amounts exclude contributions to the Hospitals of Ontario Pension Plan, a multi-employer plan, described in note 14.

The major actuarial assumptions employed for the valuations are as follows:

Discount rate

The present value of the future benefits was determined using a discount rate of 3.76% (2015 - 3.31%) which is the discount rate recommended by the Ministry of Health and Long-Term Care.

Extended Health Coverage

Extended Health Coverage is assumed to increase at a rate of 8% per annum (2015 - 8%) and decrease proportionately thereafter by 0.5% per year to an ultimate rate of 4.5% (2015 - 4.5%).

Dental costs

Dental costs is assumed to increase at 4% per annum (2015 - 4%).

LADY MINTO HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2016****12. DEFERRED CAPITAL CONTRIBUTIONS**

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The changes in the deferred capital contributions balances are as follows:

	2016	2015
CAPITAL CONTRIBUTIONS RECEIVED		
Balance, beginning of year	\$ 10,177,046	\$ 9,867,202
Funding received during the year	1,270,326	402,649
Transfer of deferred capital contributions from (to) accounts payable	92,805	(92,805)
Balance, end of year	<u>11,540,177</u>	<u>10,177,046</u>
ACCUMULATED AMORTIZATION		
Balance, beginning of year	(7,256,134)	(6,891,408)
Amortization - buildings	(256,863)	(230,082)
Amortization - equipment and software	(130,645)	(122,677)
Amortization - Villa Minto Nursing Home	(6,704)	(11,967)
Balance, end of year	<u>(7,650,346)</u>	<u>(7,256,134)</u>
NET DEFERRED CAPITAL CONTRIBUTIONS	<u>\$ 3,889,831</u>	<u>\$ 2,920,912</u>

Included in deferred capital contributions are donations and grants reserved for the purchase of capital assets that are unspent. These contributions are comprised of:

	2016	2015
Donations	<u>\$ 37,059</u>	<u>\$ 58,559</u>

LADY MINTO HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

13. INVESTED IN CAPITAL ASSETS AND INTANGIBLE ASSETS

Invested in capital assets and intangible assets is calculated as follows:

	2016	2015
Capital assets	\$ 11,637,519	\$ 9,854,014
Intangible assets	539,946	578,514
Deferred capital contributions	(3,889,831)	(2,920,912)
Unspent deferred capital contributions (note 12)	32,925	58,559
	<u>\$ 8,320,559</u>	<u>\$ 7,570,175</u>

The interfund transfer and the change in invested in capital assets and intangible assets is calculated as follows:

	2016	2015
CAPITAL ASSET ACTIVITIES		
Purchase of capital assets	\$ 2,625,719	\$ 960,713
Amortization of capital assets - buildings	(551,180)	(533,830)
Amortization of capital assets - equipment and software	(266,766)	(310,376)
Amortization of capital assets - Villa Minto Nursing Home	(24,268)	(25,802)
Amortization of intangible assets - Villa Minto Nursing Home	(38,568)	(38,568)
	<u>1,744,937</u>	<u>52,137</u>
DEFERRED CAPITAL CONTRIBUTION ACTIVITIES		
Capital contributions received during the year	(1,270,326)	(402,649)
Capital contributions transferred from accounts payable	(92,805)	92,805
Net change in unspent deferred capital contributions	(25,634)	(270,750)
Amortization of deferred capital contributions - buildings	256,863	230,082
Amortization of deferred capital contributions - equipment and software	130,645	122,677
Amortization of deferred capital contributions - Villa Minto Nursing Home	6,704	11,967
	<u>(994,553)</u>	<u>(215,868)</u>
	<u>\$ 750,384</u>	<u>\$ (163,731)</u>

LADY MINTO HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2016**

14. RETIREMENT BENEFITS

Substantially all of the Hospital's employees are members of the Hospitals of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Contributions to the plan made during the year by the Hospital on behalf of its employees amounted to \$ 547,944 (2015 - \$ 533,879) and are included in the statement of operations. As this is a multi-employer pension plan, these contributions are the Hospital's pension benefit expenses. Any pension plan surpluses or deficits are a joint responsibility of member organizations and their employees. As a result, the organization does not recognize any share of the Plan's surplus or deficit. No contributing employer or employee has any liability, directly or indirectly, to provide the benefits established by this plan beyond the obligation to make contributions pursuant to the Plan policies. The most recent actuarial valuation of the Plan at December 31, 2015 indicated that the Plan is fully funded on a solvency basis.

15. RELATED PARTY TRANSACTIONS

MICs Healthcare Foundation is a corporation without share capital jointly controlled by the three participating hospitals of the MICs Group of Health Services partnership. It has its own Board of Directors. The Foundation was incorporated primarily for the purpose of raising funds for the use by the three hospitals (Bingham Memorial Hospital, Anson General Hospital and Lady Minto Hospital). Transactions are valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

During the year, the Foundation did not grant any funds to the Hospital (2015 - \$ 23,650).

The financial results of the Foundation is not consolidated in the financial statements of the Hospital.

LADY MINTO HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

16. CONTINGENCIES AND COMMITMENTS

a) The nature of the Hospital's activities are such that there is usually litigation pending or in progress at any one time. With respect to claims as at March 31, 2016, it is management's position that the Hospital has valid defences and appropriate insurance coverage in place. In the unlikely event any claims are successful, such claims are not expected to have a material effect on the Hospital's financial position.

b) The Hospital participates in the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its hospital members. All members of the HIROC pool pay actuarially determined annual premiums. 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.

c) The MICs Group of Health Services is part of a collective group of employers participating in the process of formulating a central pay equity plan for a particular employee group. The possible ultimate liability arising to the Hospital on completion of the plan is currently not determinable.

d) As at March 31, 2016, the Hospital has a further commitment of \$ 476,070 in relation to current capital projects in progress.

17. ECONOMIC DEPENDENCE

The Hospital receives the majority of its revenue through a funding agreement with the North East Local Integration Network. The Hospital's continued operations are dependent on this funding agreement and on satisfying the terms of the agreement.

18. FINANCIAL INSTRUMENTS RISK MANAGEMENT

CREDIT RISK

The Hospital is exposed to credit risk in the event of non-payment by their debtors for their accounts receivable. Credit risk arises from the possibility that these individuals may experience financial difficulty and be unable to fulfill their obligations. The hospital is exposed to this risk relating to its cash and cash equivalents, accounts receivable, long-term receivables and investments.

The Hospital holds its cash account with federally regulated chartered banks who are insured by the Deposit Insurance Corporation of Ontario.

Accounts receivable are generally due from government agencies, insurers and patients and other. The Hospital measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is recorded based on the Hospital's historical experience regarding collections. The amounts outstanding as at March 31, 2016 are as follows:

LADY MINTO HOSPITAL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

18. FINANCIAL INSTRUMENTS RISK MANAGEMENT, (CONT'D)

CREDIT RISK (CONT'D)

		Total	Current	31-60 days	61-90 days	90+ days
MOHLTC	\$	5,045	\$ 5,045	\$ -	\$ -	\$ -
Insurers and patients		219,329	136,942	29,248	9,422	43,717
HST rebates		353,481	353,481	-	-	-
Other		174,233	112,845	13,158	12,929	35,301
		752,088	608,313	42,406	22,351	79,018
Allowance for doubtful accounts		(24,509)	-	-	-	(24,509)
	\$	727,579	\$ 608,313	\$ 42,406	\$ 22,351	\$ 54,509

The Hospital performs ongoing evaluations of their accounts receivable and maintains provisions for potential credit losses to minimize credit risk.

The Hospital's investment policy puts limits on the bond portfolio including portfolio composition units, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. Investments are monitored by management and measured for performance on a regular basis.

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

LIQUIDITY RISK

Liquidity risk results from the Hospital's potential inability to meet its obligations associated with the financial liabilities as they become due. The Hospital mitigates this risk by monitoring its operations and cash flows to ensure that current and future obligations will be met. The Hospital believes that its current sources of liquidity are sufficient to cover its currently known short and long-term cash obligations.

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.

LADY MINTO HOSPITAL**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2016**

18. FINANCIAL INSTRUMENTS RISK MANAGEMENT, (CONT'D)**MARKET RISK**

Market risk is the risk that the fair value of 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. Market risk for the Hospital lies mostly in the potential loss related to the volatility of interest rates and foreign exchange rates. The interest rate risk and currency risk is related to the adverse fluctuation of the interest rates and foreign exchange rates on investment revenue, on fair value of investments and on economic value of net assets. The Hospital does not use derivative instruments to reduce its exposure to interest rate and currency risk. Conservative management is exercised to minimize the impact of any eventual fluctuations in these rates.

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.

LADY MINTO HOSPITAL
SCHEDULES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

MINISTRY OF HEALTH AND LONG-TERM CARE

Schedule 1

	Budget (Unaudited)	2016 Actual	2015 Actual
North East LHIN - Base allocation	\$ 9,679,059	\$ 9,778,648	\$ 9,682,924
Ministry of Health - Physician specific	1,690,000	1,461,625	1,585,340
Ministry of Health - One-time funding	-	53,594	114,582
	\$ 11,369,059	\$ 11,293,867	\$ 11,382,846

SCHEDULE OF SALARIES AND WAGES

Schedule 2

	Budget (Unaudited)	2016 Actual	2015 Actual
Nursing services	\$ 2,756,852	\$ 2,420,916	\$ 2,671,039
Diagnostic and therapeutic	1,152,338	997,074	933,404
Education	28,066	28,272	27,701
Administration and other	2,150,422	2,177,025	2,128,026
	\$ 6,087,678	\$ 5,623,287	\$ 5,760,170

SCHEDULE OF SUPPLIES AND OTHER EXPENSES

Schedule 3

	Budget (Unaudited)	2016 Actual	2015 Actual
Nursing services	\$ 72,900	\$ 56,891	\$ 72,901
Diagnostic and therapeutic	858,500	778,695	805,062
Education	55,200	44,175	30,968
Administration and other	1,809,838	1,928,794	1,727,199
	\$ 2,796,438	\$ 2,808,555	\$ 2,636,130

LADY MINTO HOSPITAL
SCHEDULES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

SCHEDULE OF VILLA MINTO NURSING HOME - STATEMENT OF OPERATIONS

Schedule 4

	2016	2015
REVENUES		
Provincial subsidies	\$ 1,690,445	\$ 1,696,738
Charges to residents	635,413	612,929
Amortization of deferred capital contributions	6,704	11,967
Other revenue	1,672	11,761
	<u>2,334,234</u>	<u>2,333,395</u>
EXPENSES		
Salaries and benefits	2,128,990	2,092,526
Supplies and other expenses	363,390	356,835
Amortization of capital assets	24,268	25,802
Amortization of licence	38,568	38,568
	<u>2,555,216</u>	<u>2,513,731</u>
DEFICIT FOR THE YEAR	\$ (220,982)	\$ (180,336)