

The Stevenson Memorial Hospital
Financial Statements
For the year ended March 31, 2019

The Stevenson Memorial Hospital

Financial Statements

For the year ended March 31, 2019

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Independent Auditor's Report

To the Board of Directors of The Stevenson Memorial Hospital

Opinion

We have audited the financial statements of The Stevenson Memorial Hospital ("the Hospital"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations and net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Hospital in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Hospital's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Hospital or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Hospital's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Hospital's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Hospital to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Alliston, Ontario
June 6, 2019

**The Stevenson Memorial Hospital
Statement of Financial Position**

March 31 **2019** **2018**

Assets

Current

Cash and cash equivalents (Note 2)	\$ 3,097,257	\$ 3,840,248
Accounts receivable - Ministry of Health and Long Term Care / Local Health Integration Network	120,349	65,387
Accounts receivable - other	1,146,787	1,061,879
Receivable from Stevenson Memorial Hospital Foundation (Note 11)	889,254	575,465
Inventory of supplies	291,959	358,439
Prepaid expenses	517,848	407,795
Deferred lease asset (Note 10)	71,760	71,760

6,135,214 6,380,973

Deferred lease asset (Note 10)	92,184	126,272
Property, buildings and equipment (Note 3)	11,587,822	10,001,277

11,680,006 10,127,549

\$ 17,815,220 \$ 16,508,522

Liabilities and Net Assets

Current

Current portion of long-term bank borrowings (Note 6)	137,479	98,449
Accounts payable and accrued liabilities	5,309,805	5,687,132
Deferred revenue	150,448	63,714

5,597,732 5,849,295

Long-term bank borrowings (Note 6)	1,247,439	1,384,918
Accrued post-employment benefits (Note 7)	541,648	541,648
Deferred contributions related to buildings and equipment (Note 5)	9,538,246	7,879,949

11,327,333 9,806,515

16,925,065 15,655,810

Contingencies and commitments (Notes 8 and 10)

Net Assets

Unrestricted	890,155	852,712
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\$ 17,815,220 \$ 16,508,522

On behalf of the Board

Director

Director

**The Stevenson Memorial Hospital
Statement of Operations and Net Assets**

For the year ended March 31	2019	2018
Revenues		
Ministry of Health and Long Term Care / Local Health Integration Network	\$ 23,632,473	\$ 23,293,483
Other Provincial programs	751,243	736,679
Other agencies and self-pay	3,706,519	3,580,780
Differential charges	75,740	71,646
Recoveries and sales	1,304,136	1,019,549
Amortization of deferred contributions for equipment (Note 5)	665,360	712,028
	<u>30,135,471</u>	<u>29,414,165</u>
Expenses		
Salaries and wages	14,653,101	13,941,628
Employee benefits	3,766,008	3,579,657
Medical staff remuneration	3,249,474	3,379,751
Medical and surgical supplies	1,384,834	1,378,445
Drugs	700,814	688,746
Other supplies and expenses	4,897,656	5,271,424
Other Provincial programs	751,243	736,679
Amortization of equipment	718,793	677,542
	<u>30,121,921</u>	<u>29,653,872</u>
Excess (deficiency) of revenues over expenses before building amortization	13,550	(239,707)
Amortization of deferred contributions for buildings (Note 5)	394,579	422,243
Amortization of buildings	(370,686)	(369,958)
	<u>37,443</u>	<u>(187,422)</u>
Excess (deficiency) of revenues over expenses for the year	37,443	(187,422)
Net assets, beginning of year	852,712	1,040,134
	<u>852,712</u>	<u>1,040,134</u>
Net assets, end of year	\$ 890,155	\$ 852,712

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

**The Stevenson Memorial Hospital
Statement of Cash Flows**

For the year ended March 31	2019	2018
Cash flows from operating activities		
Excess (deficiency) of revenues over expenses for the year	37,443	(187,422)
Adjustments for		
Amortization of buildings and equipment	1,089,479	1,047,500
Amortization of deferred contributions related to buildings and equipment	(1,059,939)	(1,134,271)
Employee post retirement benefits	-	20,200
Cash flows from (used in) operations before non-cash working capital balances	66,983	(253,993)
Changes in non-cash working capital balances		
Accounts receivable - Ministry of Health and Long Term Care / Local Health Integration Network	(54,962)	623,104
Accounts receivable - other	(84,908)	(34,416)
Receivable from Stevenson Memorial Hospital Foundation	(313,789)	35,804
Receivable from County of Simcoe	-	100,941
Inventory of supplies	66,480	(51,051)
Prepaid expenses	(110,053)	(44,517)
Deferred lease asset	34,088	73,107
Accounts payable and accrued liabilities	(377,327)	1,088,716
Deferred revenue	86,734	22,274
Cash provided by (used in) operating activities	(686,754)	1,559,969
Cash flows from capital and financing activities		
Decrease in cash held for capital projects	-	120,632
(Repayments) Advances on bank loan	(98,449)	1,483,367
Increase in deferred contributions related to buildings and equipment	2,718,236	1,530,090
Net purchase of buildings and equipment	(2,676,024)	(2,982,810)
Cash provided by (used in) capital and financing activities	(56,237)	151,279
Net (decrease) increase in cash during the year	(742,991)	1,711,248
Cash and cash equivalents, beginning of year	3,840,248	2,129,000
Cash and cash equivalents, end of year	3,097,257	3,840,248

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

The Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2019

1. Significant Accounting Policies

Management's Responsibility for the Financial Statements	The financial statements of The Stevenson Memorial Hospital (the Hospital) are the responsibility of management.
Nature of the Organization	The Hospital is a vibrant community hospital 45 minutes from Toronto providing excellent, high quality health care services to a fast-growing population in New Tecumseth and the South Simcoe region. The Hospital, incorporated without share capital under the Corporations Act (Ontario), is a charitable organization within the meaning of the Income Tax Act (Canada) and may issue tax receipts to donors. The Hospital is a not-for-profit organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).
Basis of Presentation	The financial statements of the Hospital have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs"). The Stevenson Memorial Hospital Foundation is a separate entity whose financial information is reported separately from that of the Hospital.
Contributed Services	Volunteers contribute numerous hours to assist the Hospital in carrying out certain charitable aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in these financial statements.
Revenue Recognition	<p>The Hospital follows the deferral method of accounting for contributions which include donations and grants.</p> <p>Under the Health Insurance Act and Regulations thereto, the Hospital operations are 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 Central Local Health Integration Network (CLHIN).</p> <p>As required by the CLHIN, the Hospital entered into a Hospital Service Accountability Agreement (H-SAA) that took effect April 1, 2008 and will expire on March 31, 2020. This agreement sets out the rights and obligations of the parties to the H-SAA in respect to funding provided to the Hospital by the CLHIN. 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. Effective April 1, 2016 with consultation from the CLHIN, the Hospital exited from the Health Based Allocation Model (HBAM) and re-entered the Small Hospital Funding Model.</p>

The Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2019

1. Significant Accounting Policies (continued)

Revenue Recognition (continued)

If the Hospital does not meet its performance standards or obligations, the CLHIN has the right to adjust funding received by the Hospital. The CLHIN 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 CLHIN funding received by the Hospital during the year may be increased or decreased subsequent to year end.

Revenue from patient services is recognized when the service is provided. Revenue from parking and food sales is recognized when the goods are sold and services provided.

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 property, buildings and equipment are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related property, buildings and equipment.

Inventory of Supplies

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

Property, Buildings and Equipment

Assets are recorded at cost less accumulated amortization. Cost includes amounts that are directly related to the acquisition, construction, development, or betterment of the tangible capital assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition, construction or development of the asset.

Purchased property, buildings and equipment are recorded at cost. Contributed property, buildings and equipment are recorded at fair value at the date of contribution. Repairs and maintenance costs are expensed. Betterments that extend the estimated life of an asset are capitalized. When a property, building or a piece of equipment no longer contributes to the Hospital's ability to provide services or the value of future economic benefits associated with the asset is less than its net book value, its carrying value is reduced to reflect the decline in the asset's value.

Property, buildings and equipment are amortized on a straight-line basis over their useful lives, which have been estimated as follows:

The Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2019

1. Significant Accounting Policies (continued)

Property, Buildings and Equipment (continued)	Land improvements	8 to 25 years
	Building and building service equipment	5 to 40 years
	Major equipment	3 to 20 years
	Computer hardware and software	2 to 5 years

Costs directly involved in hospital redevelopment are capitalized.

Construction in progress costs, including the Health Information System (HIS) and hospital redevelopment, are not amortized until construction or software implementation is substantially complete and the assets are ready for use.

Leases

All leases are accounted for as operating leases wherein rental payments are expensed on a straight-line basis.

Post-employment Benefits

The Hospital provides defined post-employment benefits to certain employee groups. These benefits include health, dental and life insurance.

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 or expense over the estimated average remaining service life of the employee groups on a straight line basis. Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment.

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

Financial Instruments

Cash and cash equivalents, accounts receivable, amounts due from Stevenson Memorial Hospital Foundation and accounts payable and accrued liabilities are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

The cash flows of the financial instruments held by the Hospital are fixed or variable. The incremental benefit of fair value measurement for cash is very limited and therefore has not been used.

Transaction costs related to financial instruments are added to the carrying value of the instrument.

**The Stevenson Memorial Hospital
Notes to Financial Statements**

March 31, 2019

1. Significant Accounting Policies (continued)

Financial Instruments (continued)	Write-downs on financial assets 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.
Cash and Cash Equivalents	Cash and cash equivalents consist of cash on hand, bank balances and guaranteed investment certificates with a duration of less than twelve months from the date of acquisition.
Management Estimates	The preparation of financial statements in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Areas of key estimation include determination of allowance for doubtful accounts, the estimated useful life of buildings and equipment, actuarial estimation of post-employment benefits, and accruals which include contingent liabilities and pay equity. Actual results could differ from these estimates.

2. Cash and cash equivalents

Cash and cash equivalents included in the Statement of Cash Flows comprise the following:

	2019	2018
Cash on hand and bank balances	\$ 3,097,257	\$ 3,340,248
GIC with annual interest rate of 1.15% maturing March 27, 2019, cashable on demand	-	500,000
	\$ 3,097,257	\$ 3,840,248
Balance, end of year	\$ 3,097,257	\$ 3,840,248

**The Stevenson Memorial Hospital
Notes to Financial Statements**

March 31, 2019

3. Property, Buildings and Equipment

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 25,809	\$ -	\$ 25,809	\$ -
Land improvements	689,841	367,092	689,841	347,550
Buildings	4,041,172	2,449,824	4,021,639	2,348,789
Building service equipment	7,507,637	5,067,371	7,205,547	4,817,261
Major equipment	18,922,834	17,171,338	18,401,107	16,642,907
Computer hardware and software	2,244,388	2,148,887	2,184,090	2,073,299
Work in Progress	571,088	-	-	-
Health Information System (HIS)	3,443,199	114,773	2,325,578	-
Hospital redevelopment costs	1,461,139	-	1,377,472	-
	\$ 38,907,107	\$ 27,319,285	\$ 36,231,083	\$ 26,229,806
Net book value	\$ 11,587,822		\$ 10,001,277	

The MOHLTC Capital Planning Branch requires hospitals to fund their costs associated with redevelopment prior to approval being granted. In due course the Hospital will make application to the MOHLTC Capital Planning Branch to either recover these costs or a portion of these costs. Upon formal project approval, funding of these costs will be guaranteed; before such time it is at the discretion of the MOHLTC Capital Planning Branch to decide whether or not to reimburse these costs. Direct costs of Hospital personnel dedicated to this planning process are included in hospital redevelopment costs. Given the nature and level of redevelopment planning activities in the year, no internal salaries were capitalized.

HIS refers to the Hospital's new health information system that was implemented in 2018-19. Phase one is now complete with phase two in progress for 2019-20.

\$32,867 (2018 - \$8,883) in interest on the revolving demand/fixed rate term loan was capitalized during the year related to the HIS project in progress.

4. Banking Facilities

The Hospital has an operating line of credit to a maximum of \$1,250,000. This credit facility bears interest at the bank's prime rate payable monthly, interest only is repayable on demand.

The Hospital has a revolving demand loan facility to a maximum of \$2,000,000. This credit facility bears interest at the bank's prime rate payable monthly, interest only is repayable on demand.

**The Stevenson Memorial Hospital
Notes to Financial Statements**

March 31, 2019

4. Banking Facilities (continued)

Effective March 22, 2017, in order to finance the Hospital's share of the purchase and implementation costs of the new health information system, the Hospital entered into a new credit facility providing a non-revolving demand/fixed rate-term loan, to a maximum of \$5,500,000. This credit facility bears interest at the bank's prime rate and is repayable in blended payments over a maximum period of 120 months following an initial 12 months of interest-only (at the Hospital's option) from date of the first draw. At the Hospital's discretion, any portion of the line may be converted to a fixed rate-term loan available in terms of 1-5, 7 and 10 years subject to the same maximum amortization period as above. Effective interest rates on any fixed-term loan are to be determined at the time of advance or conversion with interest charged in arrears. Once per calendar year the Hospital shall have the right to make a pre-payment not exceeding 15% of the outstanding facility balance at the time of the pre-payment.

The Hospital has a foreign exchange forward contract facility which provides the Hospital with the ability to settle a daily maximum of up to US\$300,000 for the purpose of making payments to its US based HIS software supplier. Limits of the facility are subject to replacement risk factors in existence at the time of booking. At March 31, 2019 there are no outstanding contracts.

The hospital has a corporate credit card with an authorized limit of \$200,000.

The credit facilities are unsecured and are with a Schedule 1 bank.

5. Deferred Contributions Related to Buildings and Equipment

Deferred contributions related to buildings and equipment represents the unamortized balance of contributions received for the purchase of buildings and equipment. These restricted contributions are amortized and recorded as revenue in the statement of operations, on the same basis as the amortization of the related assets.

	2019	2018
Balance, beginning of year	\$ 7,879,949	\$ 7,484,130
Contributions received during the year	2,718,236	1,530,090
Less amounts amortized to revenue for equipment	(665,360)	(712,028)
Less amounts amortized to revenue for buildings	(394,579)	(422,243)
Balance, end of year	\$ 9,538,246	\$ 7,879,949

**The Stevenson Memorial Hospital
Notes to Financial Statements**

March 31, 2019

6. Long-Term Bank Borrowings

Summary

	2019	2018
HIS demand loan (a)	\$ 48,337	\$ 12,084
HIS fixed rate term loan (b)	89,142	86,365
Current portion	\$ 137,479	\$ 98,449
HIS demand loan (a)	\$ 422,946	\$ 471,283
HIS fixed rate term loan (b)	824,493	913,635
Non-current portion	\$ 1,247,439	\$ 1,384,918

(a) At March 31, 2019 \$471,283 was outstanding as a demand loan bearing an interest rate of 3.45% (2018 - \$483,367). The current payments are based on a 10-year amortization and subject to change in the bank's prime rate. This facility is repayable at the hospital's option at any time. Interest only payment for the first 9 months and repayments of principal plus interest began January 2019. As at March 31, 2019 the Hospital was deemed to be in full compliance with its loan covenants and has received assurances from the bank that no demand for repayment shall be made in the next 12 months.

Principal repayments for the next 12 months and thereafter are as follows:

	HIS (a)
2020	\$ 48,337
Thereafter	422,946
	\$ 471,283

(b) At March 31, 2019 \$913,635 was outstanding as a fixed rate term loan bearing an interest rate of 3.17% (2018 - \$1,000,000). Payments are based on a 10-year amortization with blended payments. The loan matures March 25, 2023.

Principal repayments for the next 4 years and thereafter are as follows

	HIS (b)
2020	\$ 89,142
2021	92,010
2022	94,969
2023	637,514
	\$ 913,635

The Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2019

7. Accrued Post-Employment Benefits

The Hospital provides post-employment extended healthcare and dental benefits to a number of retired employees until the age of 65. From January 1, 2002, retiring Ontario Nursing Association (ONA) members are eligible for post-employment benefits, the cost of which is borne entirely by them; that is, ONA members electing coverage will pay 100% of the associated premium. This premium is typically lower than the actual cost of retiree benefits due to their higher rates of utilization. The premiums paid by retiring ONA members, therefore may not be sufficient to cover the actual costs of the benefits. This may result in an increased obligation, which generates a past service cost to the Hospital.

From April 1, 2011 full-time ONA members who reach age 57 and retire on or after April 1, 2011 are eligible for post-employment benefits and the Hospital will contribute 50% of the billed premiums of these benefit plans. The Hospital provides Ontario Public Service Employees Union (OPSEU) members who retire after age 60 with semi-private, extended health and dental benefits. OPSEU members electing coverage will pay 50% of the associated premium.

The Hospital also provides post-employment life insurance coverage to a number of employees.

The last actuarial report was conducted in March 2017 to estimate the Hospital's accrued benefit obligation relating to post-employment benefits plans. At March 31, 2019, the Hospital's accrued benefit obligation relating to post-employment benefit plans is \$541,648 (2018 - \$541,648).

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

Discount rate	3.4% per annum
Extended healthcare cost escalation	6.0% per annum
Dental benefits cost escalation	2.75% per annum

8. Contingencies

Contingent Liabilities

i) During the normal course of operations, various proceedings and claims are filed against the Hospital. The Hospital reviews the validity of these claims and proceedings and management believes any settlement would be adequately covered by its insurance policies or by accrued provisions in these financial statements based on its best estimates where insurance is not applicable. It is management's opinion that the final determination of these claims will not have a material effect on the financial position or future results of operations of the Hospital.

ii) The Hospital participates in the Healthcare Insurance Reciprocal of Canada (HIROC), pooling of the public liability insurance risks of its hospital members. Members of the pool pay annual premiums, which are actuarially determined and are expensed in the current year. These premiums are subject to further assessment for experience gains and losses, by the pool, for prior years. No assessments have been received during the year ended March 31, 2019.

**The Stevenson Memorial Hospital
Notes to Financial Statements**

March 31, 2019

9. Healthcare of Ontario Pension Plan (HOOPP)

HOOPP provides pension services to 357,268 active, retired and deferred members and 574 employers. Substantially all of the full-time employees and some of the part-time employees of the Hospital are members of HOOPP. The plan is a multi-employer plan and therefore the Hospital's contributions are accounted for as if the plan were a defined contribution plan with the Hospital's contributions being expensed in the period they come due.

Each year, an independent actuary determines the funding status of HOOPP by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date.

The results of the most recent valuation as at December 31, 2018 disclosed a surplus of \$13.9 million. The results of this valuation disclosed total actuarial liabilities and pension obligations of \$158.9 million in respect of benefits accrued for service with actuarial assets at that date of \$172.8 million. Because HOOPP is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario member organizations and their employees. As a result, the Hospital does not recognize any share of the HOOPP surplus or deficit. Contributions made by the Hospital to HOOPP during the year amounted to \$1,253,842 (2018 - \$1,138,234).

10. Commitments

Lease commitments

Effective March 2017 the Hospital entered into a non-cancellable operating lease with GE Capital for a new EVO CT Scanner. A trade-in allowance of \$125,000 was received for the fully depreciated equipment being replaced by the new CT Scanner. The term of the lease is 84 months and called for an advance rental payment of \$270,000 in the first month, which was setup as a deferred lease asset and is being amortized straight line over the term of the lease. The total deferred asset to be amortized as at March 31, 2019 was \$163,944 (2018 - \$198,032). Actual monthly payments are \$3,191 per month before taxes from April 2018 until May 2025. The Hospital has the right to exercise an "Early Purchase Option" in the 78th month for \$96,333 upon appropriate notice, failing which the equipment shall be returned to the lessor at the end of term.

The minimum lease payments to term for the EVO CT Scanner lease are as follows:

2020	\$ 38,292
2021	38,292
2022	38,292
2023	38,292
2024	38,314
	<hr/>
	\$ 191,482

During the year \$71,760 (2018 - \$71,760) was expensed in the statement of operations related to this lease.

The Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2019

11. Related Entities

Stevenson Memorial Hospital Foundation (Foundation)

The Foundation is an independent corporation incorporated without share capital which has its own independent Board of Directors and is a registered charity under the Income Tax Act (Canada). The Foundation receives and maintains funds for charitable purposes, which it contributes to the Hospital for the purchase of equipment, information systems, infrastructure, and renovations to the Hospital.

Amounts received from the Foundation are externally restricted. Accordingly, these contributions are deferred and amortized as revenue when the related assets are amortized to expense. During the year ended March 31, 2019, the Foundation approved funding requests from the Hospital totaling \$1,442,814 (2018 - \$1,224,677) for equipment, information systems, infrastructure and renovations for the Hospital. At March 31, 2019, \$842,677 in capital funding and \$46,577 in trade receivables is due from the Foundation (2018 - \$541,751 capital and \$33,714 trade receivables).

Transactions with other Hospitals

Stevenson Memorial Hospital is governed through common control of the MOHLTC and the CLHIN in Ontario. As a result, transactions with other hospitals in Ontario are considered to be inter-entity transactions. Details of transactions with other hospitals are outlined below.

Southlake Regional Health Centre

Stevenson Memorial Hospital has a relationship with Southlake Regional Health Centre, an independent organization subject to common control through the MOHLTC and the CLHIN. Transactions were of monetary nature related to the Memorandum of Understanding \$748,738 (2018 - \$708,579) and HIS \$491,385 (2018 - \$214,730) at a cost recovery basis. The SHINE partnership is a three party cost sharing agreement between Stevenson Memorial Hospital (SMH), Southlake Regional Health Centre (SRHC) and Markham Stouffville Hospital (MSH), transactions from this partnership are billed to SMH from SRHC. All transactions are undertaken under similar terms and conditions to those adopted if the entities were dealing at arm's length and are recorded at the exchange amount.

Royal Victoria Hospital

Stevenson Memorial Hospital has a relationship with Royal Victoria Hospital (RVH), a member of the North Simcoe Muskoka LHIN. RVH is an independent organization subject to common control through the MOHLTC. Transactions were of monetary nature for the Renal Satellite Program of which payment is received for volumes performed \$1,034,600 (2018 - \$nil) and payment is made to RVH for contract Decision Support Services \$44,182 (2018 - \$13,116). Payment is made on a cost recovery basis. All transactions are undertaken under similar terms and conditions to those adopted if the entities were dealing at arm's length and are recorded at the exchange amount.

The Stevenson Memorial Hospital Notes to Financial Statements

March 31, 2019

12. Financial Instrument Risk Management

Credit Risk

Credit Risk is the risk of financial loss to the Hospital if a debtor fails to make payments of interest and principal when due. The Hospital is exposed to this risk relating to its cash equivalents and accounts receivable. The Hospital holds its cash and cash equivalents accounts with a Schedule 1 bank which is insured by the Canadian Deposit Insurance Corporation. In the event of a default, the Hospital's cash accounts are insured up to \$100,000 (2018 - \$100,000).

For patient accounts receivable, the Hospital maintains an allowance for doubtful accounts, which reduces the receivable to its estimated realizable value. The receivable is adjusted on a monthly basis. Accounts receivable are primarily due from OHIP, the MOHLTC/CLHIN and patients. Credit risk is mitigated by the financial solvency of the provincial government and the highly diversified nature of the patient population.

Interest Rate Risk

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

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

At March 31, 2019 a 1% move in interest rates, with all other variables held constant, would have a minimal impact on the cash flows related to the Hospital's banking facilities.

Liquidity Risk

Liquidity risk is the risk that the Hospital will not be able to meet all cash outflow obligations as they come due. The Hospital mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and cash flow planning and by ensuring appropriate banking facilities are in place. (see Note 6 and 8)

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

Foreign Currency Risk

Foreign currency risk is the risk that there could be a significant increase in local currency denominated costs or significant deterioration in local currency asset values caused by significant unfavorable fluctuations in exchange rates of the underlying foreign currency denominated asset or liability. The Hospital faces limited risks in this regard. It conducts no foreign based operations, it owns no foreign currency denominated assets, and the only foreign currency denominated obligation shall be paid in the next fiscal year.

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13. Economic Dependence

The Hospital is economically dependent on the funding it receives from the MOHLTC/CLHIN.
