

**TILLSONBURG DISTRICT  
MEMORIAL HOSPITAL**

**FINANCIAL STATEMENTS  
For the year ended March 31, 2016**

**TILLSONBURG DISTRICT  
MEMORIAL HOSPITAL**

**For the year ended March 31, 2016**

**INDEX**

|   | Page   |
|---|--------|
| INDEPENDENT AUDITORS' REPORT                | 1      |
| FINANCIAL STATEMENTS                        |        |
| Statement of Financial Position             | 2      |
| Statement of Operations                     | 3      |
| Statement of Changes in Net Assets          | 4      |
| Statement of Remeasurement Gains and Losses | 5      |
| Statement of Cash Flows                     | 6      |
| Notes to the Financial Statements           | 7 - 15 |

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
**Tillsonburg District Memorial Hospital**

We have audited the accompanying financial statements of Tillsonburg District Memorial Hospital, which comprise the statement of financial position as at March 31, 2016 and the statements of operations, changes in net assets, remeasurement gains and losses and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

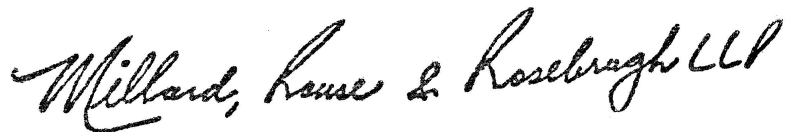
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 Tillsonburg District Memorial Hospital as at March 31, 2016 and the results of its operations, changes in its net assets, remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



May 27, 2016  
Brantford, Ontario

CHARTERED PROFESSIONAL ACCOUNTANTS  
Licensed Public Accountants

# TILLSONBURG DISTRICT MEMORIAL HOSPITAL

## STATEMENT OF FINANCIAL POSITION

| As at March 31                            | 2016       | 2015       |
|---|------------|------------|
| <b>ASSETS</b>                             |            |            |
| <b>Current Assets</b>                     |            |            |
| Cash and bank                             | 3,069,259  | 3,833,080  |
| Short term investments (Note 4)           | 9,306,038  | 8,939,989  |
| Accounts receivable (Note 5)              | 703,572    | 723,574    |
| Prepaid supplies                          | 200,510    | 214,337    |
| Prepaid expenses                          | 60,000     | 60,000     |
|   | 13,339,379 | 13,770,980 |
| <b>Long Term Investments</b> (Note 6)     | 5,356,187  | 5,511,823  |
| <b>Capital Assets</b> (Note 7)            | 14,692,868 | 15,281,673 |
|   | 33,388,434 | 34,564,476 |
| <b>LIABILITIES</b>                        |            |            |
| <b>Current Liabilities</b>                |            |            |
| Accounts payable and accrued liabilities  | 3,941,865  | 4,429,180  |
| <b>Employee Future Benefits</b> (Note 8)  | 1,639,218  | 1,667,297  |
| <b>Deferred Contributions Related to:</b> |            |            |
| <b>Capital Assets</b> (Note 9)            | 6,524,744  | 6,882,621  |
| <b>Deferred Contributions</b> (Note 10)   | 4,668,874  | 4,456,612  |
|   | 16,774,701 | 17,435,710 |
| <b>NET ASSETS</b>                         |            |            |
| Invested in capital assets (Note 11(a))   | 8,168,124  | 8,399,052  |
| Unrestricted - Page 4                     | 8,566,896  | 8,084,920  |
| Remeasurement gains and losses - Page 5   | (121,287)  | 644,794    |
|   | 16,613,733 | 17,128,766 |
|   | 33,388,434 | 34,564,476 |

Approved on behalf of the Board of Directors

 Director

 Director

# TILLSONBURG DISTRICT MEMORIAL HOSPITAL

## STATEMENT OF OPERATIONS

| For the year ended March 31                                      | 2016       | 2015       |
|--|------------|------------|
| <b>Revenue</b>   |            |            |
| Ministry of Health   | 22,341,091 | 22,455,419 |
| Preferred accommodation  | 103,538    | 160,671    |
| Out patients   | 2,162,175  | 2,272,600  |
| Chronic Care Co-payment  | 87,732     | 92,288     |
| Other  | 512,080    | 400,580    |
| Investment income (Note 12)                                      | 409,091    | 595,043    |
| Amortization of deferred contributions related to capital assets | 1,024,169  | 1,208,142  |
|  | 26,639,876 | 27,184,743 |
| <b>Expenses</b>  |            |            |
| Salaries, wages and medical staff remuneration                   | 15,440,645 | 15,604,965 |
| Employee benefits  | 3,497,365  | 3,551,670  |
| Medical and surgical supplies                                    | 707,640    | 667,770    |
| Drugs  | 488,707    | 433,346    |
| Other supplies and expenses                                      | 4,642,464  | 4,552,288  |
| Interest on long term debt                                       | -          | 20,065     |
| Amortization of capital assets                                   | 1,612,007  | 1,759,802  |
|  | 26,388,828 | 26,589,906 |
| <b>Excess of Revenue over Expenses</b>                           | 251,048    | 594,837    |

See accompanying notes

# TILLSONBURG DISTRICT MEMORIAL HOSPITAL

## STATEMENT OF CHANGES IN NET ASSETS

| <b>For the year ended March 31</b>                         | <b>Invested In<br/>Capital Assets</b> | <b>Unrestricted</b> | <b>2016</b>       | <b>2015</b>       |
|--|---------------------------------------|---------------------|-------------------|-------------------|
| <b>Balance - beginning of year</b>                         | 8,399,052                             | 8,084,920           | 16,483,972        | 15,889,135        |
| Excess (Deficiency) of Revenue<br>over Expenses            | (587,838)                             | 838,886             | 251,048           | 594,837           |
| Net change in investment in<br>capital assets (Note 11(b)) | 356,910                               | (356,910)           | -                 | -                 |
| <b>Balance - end of year</b>                               | <b>8,168,124</b>                      | <b>8,566,896</b>    | <b>16,735,020</b> | <b>16,483,972</b> |

*See accompanying notes*

# TILLSONBURG DISTRICT MEMORIAL HOSPITAL

## STATEMENT OF REMEASUREMENT GAINS AND LOSSES

| <b>For the year ended March 31</b>  | <b>2016</b>      | <b>2015</b>    |
|---|------------------|----------------|
| <b>Accumulated Remeasurement Gains and (Losses) - beginning of year</b>                         | 644,794          | 486,490        |
| Changes in unrealized gains (losses) attributable to short term investments in the current year | (522,828)        | 29,024         |
| Change in unrealized gains (losses) attributable to long term investments in the current year   | (243,253)        | 129,280        |
| <b>Accumulated Remeasurement Gains and (Losses) - end of year</b>                               | <b>(121,287)</b> | <b>644,794</b> |

# TILLSONBURG DISTRICT MEMORIAL HOSPITAL

## STATEMENT OF CASH FLOWS

| <b>For the year ended March 31</b>                                    | <b>2016</b>      | <b>2015</b>      |
|---|------------------|------------------|
| <b>Cash Flows From Operating Activities</b>                           |                  |                  |
| Excess (Deficiency) of Revenue over Expenses                          | 251,048          | 594,837          |
| Charges (credits) not involving cash                                  |                  |                  |
| Amortization of capital assets  | 1,612,007        | 1,759,802        |
| Amortization of deferred contributions related to capital assets      | (1,024,169)      | (1,208,142)      |
| Realized loss on disposal of capital assets                           | 28,408           | 2,824            |
| Unrealized (loss) gain on investments                                 | (766,081)        | 158,304          |
|   | 101,213          | 1,307,625        |
| Net change in non-cash working capital balances related to operations | (241,224)        | 723,177          |
|   | (140,011)        | 2,030,802        |
| <b>Cash Flows From Financing and Investing Activities</b>             |                  |                  |
| (Increase) Decrease in investments                                    | (210,413)        | 7,189            |
| Increase in deferred contributions related to capital assets          | 666,292          | 1,187,147        |
| (Decrease) in long term debt  | -                | (956,715)        |
| (Decrease) Increase in employee future benefits                       | (28,079)         | 6,208            |
|   | 427,800          | 243,829          |
| <b>Cash Flows From Capital Activities</b>                             |                  |                  |
| Purchase of capital assets  | (1,051,610)      | (1,126,225)      |
|   |                  |                  |
| <b>Net (Decrease) Increase in Cash and Bank</b>                       | <b>(763,821)</b> | <b>1,148,406</b> |
| <b>Cash and Bank - Beginning of Year</b>                              | <b>3,833,080</b> | <b>2,684,674</b> |
| <b>Cash and Bank - End of Year</b>                                    | <b>3,069,259</b> | <b>3,833,080</b> |

See accompanying notes



# TILLSONBURG DISTRICT MEMORIAL HOSPITAL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2016

---

### 1. STATUS AND NATURE OF ACTIVITIES

---

Tillsonburg District Memorial Hospital is incorporated without share capital under the laws of Ontario and provides health care and hospital services to residents of Tillsonburg and the surrounding communities. The Hospital is a registered charity under the income tax act and accordingly is exempt from income taxes, provided certain requirements are met.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

---

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards issued by the Public Sector Accounting Board ("PSAB for Government NPOs").

#### (a) Use of Estimates

The preparation of financial statements in conformity with PSAB for Government NPOs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. In estimating the net realizable value of the accounts receivable and in estimating accrued liabilities, as well as general business and economic conditions that prevail, and are expected to prevail, actual results could differ from those estimates.

#### (b) Revenue Recognition

The Hospital follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health. Operating grants are recorded as revenue in the period to which they relate. 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. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2016.

Contributions restricted for the purchase of capital assets are deferred and amortized to revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

# TILLSONBURG DISTRICT MEMORIAL HOSPITAL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2016

---

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

---

#### (c) Financial Instruments

The Hospital classified 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 cash equivalents which is 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.

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 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 investments, accounts receivable 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.

#### (d) Prepaid Supplies

Prepaid supplies are valued at the lower of cost and net realizable value, with cost being determined on the first-in, first-out basis.

# TILLSONBURG DISTRICT MEMORIAL HOSPITAL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2016

---

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

(e) **Capital Assets**

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When an asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value. Capital assets are amortized on a straight-line basis using the following annual rates:

|           |          |
|-----------|----------|
| Building  | 2.5%     |
| Equipment | 5% - 20% |

(f) **Contributed Services**

Volunteers contribute a significant amount of time each year. Due to the difficulty of determining the fair value, these contributed services are not recognized or disclosed in the financial statements.

(g) **Employer Future Benefits and Pension Plan**

Multi-employer plan

Substantially all of the employees of the Hospital are eligible to be members of the Hospitals of Ontario Pension Plan ("HOOP") a multi-employer, defined benefit pension plan. Plan members will receive benefits based on the length of service and on the average annualised earnings during the five consecutive years prior to retirement, termination or death, that provides the highest earnings. Because HOOP is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario Hospitals and their employees. As a result, the Hospital does not recognize any share of the HOOP surplus or deficit.

Employer contributions made to the plan during the year by the Hospital amounted to \$1,131,501 (2015 - \$1,103,764). These amounts are included as part of the employee benefits expense in the Statement of Operations.

Employee future benefits

Included in the employee benefits is an expense for the Hospital's employee future benefits. The Hospital uses the statement of financial position of March 31 as the measurement date.

# TILLSONBURG DISTRICT MEMORIAL HOSPITAL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2016

### 3. FINANCIAL INSTRUMENT CLASSIFICATION

The Hospital's financial instruments are initially recognized at fair value and then subsequently measured as follows:

| <b>Assets/Liabilities</b>                | <b>Measurement Category</b> |
|--|-----------------------------|
| Cash                                     | Fair Value                  |
| Investments                              | Fair Value                  |
| Accounts Receivable                      | Amortized Cost              |
| Accounts Payable and Accrued Liabilities | Amortized Cost              |

The following classification system is used to describe the basis of the inputs used to measure the fair value of financial instruments in the fair value measurement category:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 - inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Cash and investments are measured as Level 1 financial instruments.

| <b>4. SHORT TERM INVESTMENTS</b> | <b>2016<br/>Cost</b> | <b>2016<br/>Market</b> | <b>2015<br/>Cost</b> | <b>2015<br/>Market</b> |
|----------------------------------|----------------------|------------------------|----------------------|------------------------|
| Short term investments           | 9,650,018            | 9,306,038              | 8,761,141            | 8,939,989              |

| <b>5. ACCOUNTS RECEIVABLE</b>         | <b>2016</b>    | <b>2015</b>    |
|---------------------------------------|----------------|----------------|
| Total                                 | 795,500        | 773,629        |
| Less: Allowance for doubtful accounts | (91,928)       | (50,055)       |
|                                       | <b>703,572</b> | <b>723,574</b> |

# TILLSONBURG DISTRICT MEMORIAL HOSPITAL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2016

| 6. | LONG TERM INVESTMENTS               | 2016<br>Cost | 2016<br>Market              | 2015<br>Cost | 2015<br>Market |
|----|-------------------------------------|--------------|-----------------------------|--------------|----------------|
|    | Restricted                          | 609,004      | 630,634                     | 598,531      | 622,856        |
|    | Unrestricted                        | 4,524,490    | 4,725,553                   | 4,447,346    | 4,888,967      |
|    |                                     | 5,133,494    | 5,356,187                   | 5,045,877    | 5,511,823      |
| 7. | CAPITAL ASSETS                      | Cost         | Accumulated<br>Amortization | 2016         | 2015           |
|    | Land and land improvements          | 1,005,248    | -                           | 1,005,248    | 1,005,248      |
|    | Capital assets<br>under development | 65,413       | -                           | 65,413       | 76,081         |
|    | Building                            | 17,823,042   | 8,969,493                   | 8,853,549    | 9,025,451      |
|    | Equipment                           | 27,884,354   | 24,188,765                  | 3,695,589    | 4,101,824      |
|    |                                     | 46,778,057   | 33,158,258                  | 13,619,799   | 14,208,604     |
|    | Real estate held for future use     | 1,073,069    | -                           | 1,073,069    | 1,073,069      |
|    |                                     | 47,851,126   | 33,158,258                  | 14,692,868   | 15,281,673     |

# TILLSONBURG DISTRICT MEMORIAL HOSPITAL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2016

### 8. EMPLOYEE FUTURE BENEFITS

Included in the employee benefits is an expense for the Hospital's employee future benefits. The Hospital uses the statement of financial position date of March 31 as the measurement date. The most recent actuarial valuation of the employee future benefits for funding purposes was performed as at April 1, 2014. The next actuarial valuation of the plan for funding purposes will be required as at March 31, 2018 or in the event of a plan amendment. The plan is unfunded.

#### Reconciliation of the funded status of the benefit plan to the amount recorded in the financial statements

|                                       | 2016      | 2015      |
|---------------------------------------|-----------|-----------|
| Accrued benefit obligation            | 1,557,636 | 1,574,061 |
| Unamortized net actuarial gain (loss) | 81,582    | 93,236    |
| Accrued benefit liability             | 1,639,218 | 1,667,297 |

#### Other information

|                      | 2016    | 2015    |
|----------------------|---------|---------|
| Benefit plan expense | 92,415  | 136,870 |
| Benefits paid        | 120,494 | 130,662 |

#### Significant assumptions

|   | 2016   | 2015   |
|---|--|--|
| Discount rate                                   | 3.55%  | 3.55%  |
| Dental trend rates                              | 5.00%  | 5.00%  |
| Withdrawal rate                                 | 2.00%  | 2.00%  |
| Expected average remaining service life - years | 5  | 5  |
| Extended health care trend rates                | 8.00% in 2015<br>decreasing by 0.17%<br>per annum to 4.50% | 8.00% in 2015<br>decreasing by 0.17%<br>per annum to 4.50% |

# TILLSONBURG DISTRICT MEMORIAL HOSPITAL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2016

### 9. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchased capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

|                                    | 2016        | 2015        |
|------------------------------------|-------------|-------------|
| Balance - beginning of year        | 6,882,621   | 6,903,616   |
| Additional contributions received  | 666,292     | 1,187,147   |
| Less: amounts amortized to revenue | (1,024,169) | (1,208,142) |
|                                    | 6,524,744   | 6,882,621   |

### 10. DEFERRED CONTRIBUTIONS

Deferred contributions represent the unspent amount of donations and grants received for the purchase of capital assets. The balance is comprised of as follows:

|  | 2016      | 2015      |
|--|-----------|-----------|
| Balance - beginning of year              | 4,456,612 | 4,264,897 |
| Net investment income and other deposits | 212,262   | 191,715   |
|  | 4,668,874 | 4,456,612 |

# TILLSONBURG DISTRICT MEMORIAL HOSPITAL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2016

| 11. INVESTED IN CAPITAL ASSETS   | 2016        | 2015        |
|--|-------------|-------------|
| <b>(a) Invested in capital assets is calculated as follows:</b>                      |             |             |
| Net book value of capital assets   | 14,692,868  | 15,281,673  |
| Amounts financed by deferred contributions   | (6,524,744) | (6,882,621) |
|  | 8,168,124   | 8,399,052   |
| <b>(b) Change in net assets invested in capital assets is calculated as follows:</b> |             |             |
| Amortization of deferred contributions related to capital assets                     | 1,024,169   | 1,208,142   |
| Amortization of capital assets   | (1,612,007) | (1,759,802) |
|  | (587,838)   | (551,660)   |
| Net change in investment in capital assets   |             |             |
| Purchase of capital assets   | 1,051,610   | 1,126,225   |
| Realized loss on disposal of capital assets  | (28,408)    | (2,824)     |
| Amounts funded by deferred contributions   | (666,292)   | (1,187,147) |
|  | 356,910     | (63,746)    |
| <b>12. INVESTMENT INCOME</b>   | <b>2016</b> | <b>2015</b> |
| Interest   | 142,594     | 141,760     |
| Dividends  | 211,600     | 200,005     |
| Realized gain on disposal of investments   | 54,897      | 253,278     |
|  | 409,091     | 595,043     |



# TILLSONBURG DISTRICT MEMORIAL HOSPITAL

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2016

---

### 13. RELATED PARTY TRANSACTIONS

---

The Hospital has an economic interest in the Tillsonburg District Memorial Hospital Foundation (the Foundation). As of March 31, 2016, the Foundation held net assets of \$6,688,533 (2015 - \$6,996,634), the benefits of which are to be used for capital assets purchases and other activities of the Hospital. During the year, the Foundation granted \$436,881 (2015 - \$589,642) to the Hospital to purchase capital assets.

The Hospital has an economic interest in the Tillsonburg District Memorial Hospital Volunteer Association (the Association). As at March 31, 2016, the Association held net assets of \$27,715 (2015 - \$32,504), the benefits of which are to be used to support activities of the Hospital. During the year, The Association granted \$96,000 (2015 - \$93,000) to the Hospital to purchase capital assets.

### 14. FAIR VALUE OF FINANCIAL INSTRUMENTS

---

#### Recognition and Measurement

All financial instruments are initially recorded on the statement of financial position at fair value. Investments in equity instruments that are quoted in a active market are subsequently measured at fair value. All other financial instruments are measured at amortized cost.

The Hospital has also identified the following financial risk:

#### Credit Risk

The Hospital's exposure to credit risk relates to its accounts receivable. The risk of significant credit loss is considered remote.

#### Interest Rate Risk

The Hospital's exposure to interest rate risk relates to its short term investments, long term investments and their employee future benefits. (See Notes 3, 5, and 7).

#### Liquidity Risk

Liquidity risk is the risk of being unable to meet cash requirements or to fund obligations as they become due. Trade accounts payable and accrued liabilities are generally paid within 30 days.

### 15. ECONOMIC DEPENDENCE

---

The Hospital received 83.9% of its revenue for the year ended March 31, 2016 (2015 - 82.6%) from the Ministry of Health and Long Term Care.