

West Parry Sound Health Centre
Financial Statements
March 31, 2017


West Parry Sound Health Centre
Financial Statements
For the year ended March 31, 2017

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SUPPLEMENTARY INFORMATION

CHAIRPERSON, BOARD OF TRUSTEES



T. Fraser

CHAIRPERSON, PROPERTY / FINANCE COMMITTEE



T. Shultz

TREASURER AND SECRETARY



D. Sanderson

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Independent Auditors' Report

To the Members of the West Parry Sound Health Centre

We have audited the accompanying financial statements of West Parry Sound Health Centre, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

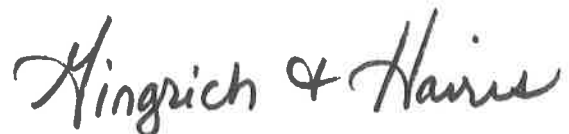
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of West Parry Sound Health Centre as at March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Parry Sound, Ontario
May 29, 2017

Chartered Professional Accountants
Licensed Public Accountants

West Parry Sound Health Centre Statement of Financial Position

March 31	2017	2016
Assets		
Current		
Cash and bank	\$ -	\$ 241,657
Trust and restricted funds	114,934	159,997
Accounts receivable (Note 1)	1,832,481	1,257,140
Advances - other programs	123,755	120,633
Lakeland Long-Term Care Services Corporation (Note 2)	194,112	342,965
Inventories of supplies	678,312	569,579
Prepaid, deferred expenses and deposits	936,037	819,032
Current portion of capital lease receivable (Note 4)	416,423	395,642
	4,296,054	3,906,645
Capital lease receivable (Note 4)	7,682,851	8,099,275
Parry Sound Pilot Project (Note 3)	449,893	445,753
Capital assets (Note 5)	67,191,608	67,228,783
	75,324,352	75,773,811
	\$ 79,620,406	\$ 79,680,456
Liabilities and Net Assets		
Current		
Bank indebtedness (Note 7)	\$ 1,177,530	\$ -
Ministry of Health and Long-Term Care (Note 6)	276,433	144,380
Ministry of Health and Long-Term Care (Note 9)	78,266	55,819
Accounts payable and accrued liabilities (Note 8)	5,151,380	5,690,827
Deferred revenue	133,389	205,988
Current portion of long-term debt (Note 10)	537,491	878,858
	7,354,489	6,975,872
Long-term debt (Note 10)	10,023,000	10,559,000
Deferred capital grants and contributions (Note 11)	54,461,699	54,063,014
Employee future benefits (Note 15)	2,015,029	1,928,229
	73,854,217	73,526,115
Contingencies (Note 17)		
Net Assets - page 4		
Unrestricted net assets	5,766,189	6,154,341
	\$ 79,620,406	\$ 79,680,456

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

West Parry Sound Health Centre Statement of Changes in Net Assets

For the year ended March 31	2017	2016
Unrestricted net assets balance, beginning of year	\$ 6,154,341	\$ 6,814,056
Excess (deficiency) of revenue over expenses for the year	<u>(388,152)</u>	<u>(659,715)</u>
Unrestricted net assets balance, end of year	<u>\$ 5,766,189</u>	<u>\$ 6,154,341</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

West Parry Sound Health Centre Statement of Operations

For the year ended March 31	Budget (Unaudited)	2017	2016
Revenues			
Ministry of Health and Long-term Care			
- base funding allocation	\$ 16,390,707	\$ 17,081,507	\$ 16,390,707
- hospital based allocation method	11,476,935	10,888,465	11,476,935
- special programs base funding	714,153	607,030	619,745
- quality based procedures	4,350,287	4,064,497	4,367,529
- wait time funding	35,000	33,606	35,560
- one time funding	-	330,923	378,374
- visiting specialists	85,652	85,652	69,096
- nursing grad guarantee & late career	-	172,671	310,401
Co-payments and preferred accommodations	835,000	733,192	860,052
HOCC, AFA & other	2,466,000	2,449,244	2,466,073
OHIP & other patient services	3,917,000	4,056,547	3,906,615
Cancer Care Ontario & OBSP	979,208	815,104	821,007
Recoveries	3,305,500	3,522,125	3,463,929
Amortization - equipment grants / donations	952,333	978,831	1,001,828
	45,507,775	45,819,394	46,167,851
Other Programs - MOH (Note 9)	6,750	1,690,920	1,756,950
	45,514,525	47,510,314	47,924,801
Expenses			
Salaries and wages	22,876,624	22,792,475	23,102,794
Employee benefits	5,148,857	4,870,004	4,830,517
Medical staff remuneration	5,110,000	5,280,763	5,134,894
Medical and surgical supplies	2,195,000	1,970,533	2,125,337
Drugs and medicines	1,365,000	1,149,532	1,356,714
Other supplies and expenses (Note 12)	7,982,640	8,612,420	8,746,631
Amortization - equipment	798,154	1,084,268	1,113,909
Loss (gain) on disposal of equipment	-	(11,489)	(205)
Interest on long-term debt - equipment	9,500	9,938	26,653
Bad debts (recovery)	22,000	47,779	17,943
	45,507,775	45,806,223	46,455,187
Other programs - expenses (Note 9)	6,750	1,690,920	1,756,950
	45,514,525	47,497,143	48,212,137
Excess of revenues over expenses from operations	-	13,171	(287,336)
Capital Revenue (Expense)			
Rental income (net)	90,000	85,099	76,705
Investment income	16,000	6,758	14,358
Capital lease interest income	426,575	426,573	446,316
Donations and fundraising	200,000	124,203	349,645
Amortization - hospital building grant	1,778,650	1,779,309	1,779,064
	2,511,225	2,421,942	2,666,088
Fundraising & special purpose expenses	200,000	116,310	306,455
Interest on long-term debt	560,000	555,656	581,995
Amortization - hospital buildings	2,151,578	2,151,299	2,150,017
	(400,353)	(401,323)	(372,379)
Excess (deficiency) of revenues over expenses for the year	\$ (400,353)	\$ (388,152)	\$ (659,715)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

West Parry Sound Health Centre Statement of Cash Flows

For the year ended March 31

2017

2016

Cash provided by (used in)

Operating activities

Excess (deficiency) of revenue over expenses	\$ (388,152)	\$ (659,715)
Items not involving cash		
Amortization - buildings	2,151,299	2,150,017
Amortization - equipment	1,084,268	1,113,909
Amortization of equipment grants	(978,831)	(1,001,828)
Amortization of building grants	(1,779,309)	(1,779,064)
Loss (gain) on disposal of equipment	(11,489)	(205)
Changes in non-cash working capital balances		
Due from / to Ministry of Health and Long-Term Care	154,500	(580,556)
Accounts receivable	(575,341)	141,902
Advances	(3,122)	152,291
Lakeland Long-Term Care Services Corporation	148,853	(35,763)
Inventories	(108,733)	55,316
Prepaid and deferred expense	(117,005)	(69,999)
Accounts payable and accrued liabilities	(539,447)	762,698
Deferred revenue	(72,599)	(9,042)
Employee future benefits	86,800	100,929
	<u>(948,308)</u>	<u>340,890</u>

Investing and financing activities

Purchase of capital assets	(3,198,391)	(1,039,404)
Proceeds - sale of equipment	11,489	25,639
Investment in Parry Sound Pilot Project	(4,140)	(13,733)
Repayment of long-term debt	(877,367)	(833,653)
Deferred capital grants & contributions	3,156,824	670,559
Capital lease receivable	395,643	375,898
	<u>(515,942)</u>	<u>(814,694)</u>

Decrease in cash during the year

(1,464,250) (473,804)

Cash, beginning of year

401,654 875,458

Cash (bank indebtedness), end of year

\$ (1,062,596) \$ 401,654

Represented by

Cash (bank indebtedness)	\$ (1,177,530)	\$ 241,657
Trust and restricted funds	114,934	159,997
	<u>\$ (1,062,596)</u>	<u>\$ 401,654</u>

West Parry Sound Health Centre Summary of Significant Accounting Policies

March 31, 2017

**Nature and Purpose of
Organization**

The West Parry Sound Health Centre was incorporated under the Ontario Corporations Act without share capital and is principally involved in providing health care services to the west Parry Sound area. The corporation is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

The assets, liabilities, revenue and expenses of the following separate health programs administered by the Hospital are not reported in the financial statements.

Other Health Programs - Nursing Stations
Land Ambulance Service

These financial statements do not include the financial activities of the following related not-for-profit entities:

Lakeland Long-Term Care Services Corporation
West Parry Sound Health Centre Foundation

Basis of Reporting

The hospital accounts for its investments in joint ventures and significantly-influenced profit-oriented enterprises using the equity method.

- Parry Sound Pilot Project

Basis of Accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Inventory

Inventory is recorded at the lower of weighted average cost and current replacement value.

West Parry Sound Health Centre Summary of Significant Accounting Policies

March 31, 2017

Use of estimates

The preparation of these financial statements in conformity with Canadian public sector accounting standards, 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 revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

If the hospital does not meet its performance standards or obligations, the MOHLTC and LHIN have the right to adjust the funding received. The MOHLTC and LHIN are 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 MOHLTC and LHIN funding received during the year may be increased or decreased subsequent to year-end. The amount of revenue recognized in these financial statements represents management's best estimate of amounts that have been earned during the year.

West Parry Sound Health Centre Summary of Significant Accounting Policies

March 31, 2017

Capital Assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair market value at the date of contribution. Amortization based on the estimated useful life of the asset is calculated as follows:

Buildings & parking lot - 2.5 % straight-line basis
Equipment - 5 to 10% straight-line basis

Assets leased on terms that transfer substantially all of the benefits and risk of ownership are accounted for as capital leases, as though the asset has been purchased and a liability incurred. All other leases are accounted for as operating leases.

Revenue Recognition

The hospital follows the deferral method of accounting for revenue from the Province (funding allocation), preferred accommodations, and patient services.

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. 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 current year.

Unrestricted contributions are recognized as revenue when received.

Endowment contributions are recognized as revenue when received.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

West Parry Sound Health Centre Summary of Significant Accounting Policies

March 31, 2017

Financial Instruments

Measurement of financial instruments

The entity initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The entity subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, term deposits, accounts receivable, and capital lease receivable.

Financial liabilities measured at amortized cost include the accounts payable and accrued liabilities, amounts due to Ministry of Health and Long-Term Care and long-term debt.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Transaction costs

The entity recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Deferred Revenue

Deferred revenue results from funding received from agreements which cover more than one fiscal year and represents the unexpended portion of that funding.

Sick-Leave Credits

Under the sick-leave plan, sick-leave credits are available (no accumulation) and the employee entitled to use the credits in full when off work due to sickness or accident. The value of these regular sick-leave credits have not been estimated and no liability is recorded in the accounts.

West Parry Sound Health Centre Summary of Significant Accounting Policies

March 31, 2017

Employee Benefit Plans

The hospital accrues its obligations under employee benefit plans and the related costs. The hospital has adopted the following policies:

Multi-employer employee benefit plan

Defined contribution accounting is applied for the Healthcare of Ontario Pension Plan (HOOPP), a multi-employer employee benefit plan, whereby contributions are expensed when due, as the hospital has insufficient information to apply defined benefit plan accounting.

Other defined benefit plans

- * The cost of non-pension post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service;
- * Assumptions were management's best estimates;
- * Past service costs from plan amendments are recognized immediately;
- * Liabilities are discounted using current interest rates on long-term bonds;
- * Actuarial gains (losses) are amortized over the remaining service period of the active employees.

West Parry Sound Health Centre Notes to Financial Statements

March 31, 2017

1. Accounts Receivable

	2017	2016
Trade accounts receivable	\$ 1,461,985	\$ 963,610
HST recoverable	370,496	293,530
	\$ 1,832,481	\$ 1,257,140

2. Lakeland Long-Term Care Services Corporation

The hospital has advanced funds to the related non-profit corporation and provides operating services to the corporation on an on going basis.

The current advances are incurred in the normal course of operations.

	2017	2016
Current trade receivable	\$ 91,862	\$ 297,965
2015 Eldcap surplus	-	45,000
2016 Eldcap surplus	102,250	-
	\$ 194,112	\$ 342,965

3. Parry Sound Pilot Project

The hospital exercises joint control, along with an unrelated profit-oriented enterprise, over a joint venture that was established to provide Laboratory services. The hospital's 50% share of this joint venture has not been proportionately consolidated in the hospital's financial statements.

4. Capital Lease Receivable

	2017	2016
Capital lease receivable - due from Lakeland Long-Term Care Services Corporation, 5.13%, repayable \$68,517.90 principal and interest monthly, amortized over 25 years	\$ 8,099,274	\$ 8,494,917
Less amounts due within one year included in current assets	416,423	395,642
	\$ 7,682,851	\$ 8,099,275

West Parry Sound Health Centre Notes to Financial Statements

March 31, 2017

5. Capital Assets

	2017		2016	
Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Land	\$ 1,799,442	\$ -	\$ 1,799,442	\$ 1,799,442
Buildings & parking lot	86,039,899	25,801,213	60,238,686	62,410,108
Furnishings & equipment	19,481,555	14,328,075	5,153,480	3,019,233
	\$ 107,320,896	\$ 40,129,288	\$ 67,191,608	\$ 67,228,783

6. Due from (to) the Ministry of Health and Long-Term Care

	2017		2016	
Late Career Funding	\$ (57,312)	\$	28,936	
Quality Based Procedures (QBPs)	(12,101)		(2,659)	
Wait Time Funding	(36,678)		(45,390)	
New Graduate Guarantee	120,950		38,602	
HIRF Grant repayable	(167,530)		(2,447)	
Other	(123,762)		(161,422)	
	\$ (276,433)	\$	(144,380)	

7. Bank Indebtedness

The hospital has a credit line with a limit of \$2,000,000; this facility is due on demand and bears interest at the bank's prime rate less 0.6%, calculated and payable monthly. It is secured by a \$17,000,000 Collateral Mortgage and accompanied with Insurance.

West Parry Sound Health Centre Notes to Financial Statements

March 31, 2017

8. Accounts Payable and Accrued Liabilities

	2017	2016
Trade accounts payable	\$ 1,835,385	\$ 2,080,935
Accrued liabilities	332,076	450,481
Accrued salaries, wages and benefits	1,074,926	1,186,485
Accrued vacation pay	1,479,784	1,559,397
Government remittances	429,209	413,529
	\$ 5,151,380	\$ 5,690,827

9. Other Programs - Ministry of Health

	2017	2016
Funding		
Dispatch Services	\$ 1,762,436	\$ 1,806,019
Municipal taxes	6,750	6,750
	1,769,186	1,812,769
Expenses - Dispatch Services		
Salaries and wages	1,262,842	1,312,298
Employee benefits	348,498	358,205
Supplies	6,034	8,727
Sundry and equipment	47,524	46,725
Buildings and grounds	56,609	59,820
Recoveries	(37,337)	(35,575)
	1,684,170	1,750,200
Expenses - Municipal taxes	6,750	6,750
Total expenses	1,690,920	1,756,950
Excess (deficiency) of revenues over expenses for the year	78,266	55,819
Amount from prior year due to (from) Ministry of Health	55,819	89,087
Adjustment to final settlement after year end (2015/16)	-	(5,150)
2016/17 - Dispatch Services settlement (comparative 2015/16)	(55,819)	(83,937)
Due to (from) the Ministry of Health	\$ 78,266	\$ 55,819

West Parry Sound Health Centre Notes to Financial Statements

March 31, 2017

10. Long-term Debt

	2017	2016
ISDA (International Swaps and Derivatives Association) Master Agreement between Toronto-Dominion Bank jointly with West Parry Sound Health Centre and Lakeland Long-Term Care Services Corporation - attracts interest at 4.78% plus .35% stamping fee, due December 9, 2025, repayable in monthly installments of variable principal and interest, amortized over 25 years, secured by land and buildings and a general security agreement.	\$ 10,559,000	\$ 11,069,000
Term Loan between Toronto-Dominion Bank jointly with West Parry Sound Health Centre and Lakeland Long-Term Care Services Corporation - 4.74% interest, due March 19, 2017, monthly payments of \$31,442.14 principal and interest, amortized over 10 years, secured by land and buildings and a general security agreement.	1,491	368,858
	10,560,491	11,437,858
Less amounts due within one year included in current liabilities	537,491	878,858
	\$ 10,023,000	\$ 10,559,000

Principal repayments for the next five years and thereafter are as follows:

2018	\$ 537,491
2019	562,000
2020	597,000
2021	626,000
2022	659,000
Thereafter	7,579,000
	\$ 10,560,491

West Parry Sound Health Centre Notes to Financial Statements

March 31, 2017

11. Deferred Capital Grants and Contributions

In 2006, the Hospital completed the construction of the new hospital. The Ministry of Health and Long-Term Care, the Hospital Foundation, the municipalities and the residents of West Parry Sound District and the Hospital have contributed to the funding of the hospital.

Lakeland Long-Term Care Services Corporation Ltd. is a related non-profit corporation. The corporation entered into a capital lease with the Health Centre for equipment and premises.

	2017	2016
Provincial capital grants	\$ 46,019,667	\$ 44,525,971
Municipal capital grants	10,286,098	10,286,098
Other	2,253,145	2,253,145
West Parry Sound Health Centre Foundation	4,832,343	4,832,343
Lakeland Long-Term Care Services Corporation - building and equipment grants	10,010,414	10,010,414
Deferred equipment grants	17,685,763	16,022,634
	91,087,430	87,930,605
Accumulated amortization	(36,625,731)	(33,867,591)
	\$ 54,461,699	\$ 54,063,014

The grants and contributions are amortized at the same rates as the assets that were purchased with these funds.

12. Other Supplies and Expenses

	2017	2016
Administration and Information Services	1,219,132	1,115,221
Human Resources	110,577	182,708
Environmental and Support Services	2,928,182	2,930,425
Acute, Chronic and Critical Care Services	1,514,944	1,531,739
Diagnostic Imaging Services	963,190	931,633
Laboratory Services	994,163	1,194,950
Lakeland Services	882,232	859,955
	\$ 8,612,420	\$ 8,746,631

West Parry Sound Health Centre Notes to Financial Statements

March 31, 2017

13. Capital Management

In managing capital, the hospital focuses on liquid resources available for operations. The hospital's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. In addition, the hospital is required to achieve certain performance measures related to working capital set out in the Hospital Services Accountability Agreement (HSAA). The need for sufficient liquid resources and achieving the performance measures is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at March 31, 2017, the hospital has met its objective of having sufficient liquid resources to meet its current obligations and the performance measures related to working capital set out in the HSAA.

14. Related Party Transactions

The West Parry Sound Health Centre Foundation is an independent corporation without share capital, which has its own Board of Directors. It provides donations to the hospital for capital and operating purposes. The Foundation's statements are not included in these financial statements.

Lakeland Long-Term Care Services Corporation is an independent corporation without share capital, which has its own Board of Directors. Lakeland operates within the hospital and leases space and equipment from the hospital. They have transactions for shared expenses that occur in the normal course of operations that they reimburse the hospital per their agreement. The Lakeland statements are not included in these financial statements.

15. Employee Future Benefits

a) Multi-employer plan

Substantially all of the employees of the hospital are members of the Healthcare of Ontario Pension Plan (HOOPP) which is a multi-employer, defined benefit, final average earnings, contributory pension plan. HOOPP is accounted for as a defined contribution plan. The hospital's contributions to HOOPP during the year amounted to \$1,801,637 (2016 - \$1,799,874). These amounts are included in compensation expense in the statement of operations and changes in net assets. The most recent regulatory filing by HOOPP as of December 31, 2016 disclosed a regulatory surplus of \$15.9 billion (2015 - \$14.8 billion).

West Parry Sound Health Centre Notes to Financial Statements

March 31, 2017

15. Employee Future Benefits continued...

b) Other defined benefit plans

The hospital offers various non-pension post-employment and post-retirement benefit plans to its employees that provide life insurance, medical and dental benefits. These plans are accounted for as defined benefit plans and are not funded by the hospital.

The most recent actuarial valuation was as of March 31, 2015.

Information about the hospital's other defined benefit plans is as follows as at March 31:

	WPSHC	Ambulance	2017	2016
Accrued benefit obligation	\$ 1,928,229	\$ 522,135	\$ 2,450,364	\$ 2,302,500
Post-retirement benefits	163,000	54,800	217,800	207,800
Benefits paid	(76,200)	(10,569)	(86,769)	(59,936)
Employee future benefit liabilities	<u>\$ 2,015,029</u>	<u>\$ 566,366</u>	<u>2,581,395</u>	<u>2,450,364</u>
Amount to be recovered from Land Ambulance Service			<u>(566,366)</u>	<u>(522,135)</u>
Net employee future benefit liabilities			<u>\$ 2,015,029</u>	<u>\$ 1,928,229</u>

The net expense for the year ended March 31, 2017 is \$217,800 (2016 - \$207,800).

The significant actuarial assumptions adopted in measuring the accrued benefit obligations are as follows:

	2015	2013
Discount rate	3.31%	4.69%

The significant actuarial assumptions adopted in measuring the expense for the year are as follows:

	2015	2013
Discount rate	3.31%	4.69%

West Parry Sound Health Centre Notes to Financial Statements

March 31, 2017

16. Comparative Figures

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year's financial statements.

17. Contingencies

The nature of the hospital's activities is such that there is usually litigation pending at any time. With respect to claims at March 31, 2017, management believes the hospital has valid defences and appropriate insurance coverage in place. In the opinion of management and legal council, the outcome of the lawsuits, now pending, is not yet determinable. Should any loss result from the resolution of these claims, such loss will be charged to operations in the year of resolution.

In the event any claims are successful, management believes such claims are not expected to have a material effect on the hospital's financial position.

The Hospital administers various programs funded by different Ministry departments and government bodies. These programs have set budgets that must be adhered to. If any of the programs result in a deficit the Hospital could be held responsible to fund them.

West Parry Sound Health Centre Notes to Financial Statements

March 31, 2017

18. Financial Assets and Financial Liabilities

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Company's cash requirements. Additional cash requirements are met with the use of the available operating line of credit and bank borrowings under long term credit arrangements. Available operating line of credit provides flexibility in the short term to meet operational needs and bridge long term financing. The Company's borrowing arrangements are concentrated with a single Canadian financial institution.

Credit risk

The Company is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable. Accounts receivable arise primarily from operations. The maximum exposure to credit risk is the carrying value of accounts receivable, capital lease receivable and investments on the balance sheet.

Interest rate risk

The Company's interest-bearing assets and liabilities include capital lease receivable, investments, operating line of credit and long-term debt.

A substantial portion of the Company's long term debt and the prime lending rate can cause fluctuation in interest payments and future cash flows associated with the principal portion of the debt. The Company has fixed interest rates on most long term debt and the capital lease receivable. Consequently, the exposure to fluctuations in future cash flows, with respect to these instruments, as a result of changes in market interest rates, is limited. The capital lease receivable is from a related party.

The majority of the Company's investments are generally of a demand nature, settlement available within four business days which minimizes the impact of fluctuations in market interest rates. The investments are all with one Canadian financial institution.
