

Financial Statements of

**GRAND RIVER HOSPITAL
CORPORATION**

Year ended March 31, 2016
(Expressed in Thousands of Dollars)



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Grand River Hospital Corporation

We have audited the accompanying financial statements of Grand River Hospital Corporation, which comprise the statement of financial position as at March 31, 2016 and the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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 audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider 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.



Page 2

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Grand River Hospital Corporation as at March 31, 2016 and its results of operations and its cash flows and its remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 24, 2016
Waterloo, Canada

GRAND RIVER HOSPITAL CORPORATION

Statement of Financial Position
(Expressed in Thousands of Dollars)

March 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash (note 2)	\$ 23,742	\$ 36,871
Accounts receivable (note 3)	18,407	23,128
Inventories	4,203	3,584
Prepaid expenses	4,156	3,698
	<u>50,508</u>	<u>67,281</u>
Capital assets (note 4)	186,114	188,017
Accrued pension benefit asset (note 5)	31,898	31,933
	<u>\$ 268,520</u>	<u>\$ 287,231</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 28,452	\$ 37,494
Accrued salary, wages and benefit liabilities	21,809	23,010
Deferred contributions (note 6)	3,819	5,511
	<u>54,080</u>	<u>66,015</u>
Accrued other benefits obligation (note 5)	10,375	9,120
Deferred capital contributions (note 7)	152,058	157,905
Net assets:		
Internally restricted - capital assets (note 8)	28,881	27,081
Unrestricted	23,126	27,110
	<u>52,007</u>	<u>54,191</u>
Commitments and contingencies (note 9)		
	<u>\$ 268,520</u>	<u>\$ 287,231</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

GRAND RIVER HOSPITAL CORPORATION

Statement of Operations
(Expressed in Thousands of Dollars)

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Revenue:		
Ontario Ministry of Health and Long-Term Care ("MOHLTC") Operating	\$ 295,806	\$ 299,620
Billable patient services	26,083	24,222
Recoveries from external sources	23,516	22,786
Other	7,653	5,641
Amortization of deferred capital contributions related to equipment (note 7)	5,605	5,435
	<u>358,663</u>	<u>357,704</u>
Expenses:		
Salaries, wages, benefits and purchased services	231,785	230,395
Medical staff remuneration	26,351	26,116
Non-salary	93,796	94,451
Amortization of equipment	8,065	7,756
	<u>359,997</u>	<u>358,718</u>
Deficiency of revenue over expenses before the undernoted	(1,334)	(1,014)
MOHLTC PCOP reconciliation adjustment (note 10)	1,555	2,325
Excess of revenue over expenses for MOHLTC purposes	221	1,311
Amortization of buildings and building improvements	(11,776)	(11,466)
Amortization of deferred capital contributions related to buildings and building improvements (note 7)	9,371	9,452
Deficiency of revenue over expenses	<u>\$ (2,184)</u>	<u>\$ (703)</u>

See accompanying notes to financial statements.

GRAND RIVER HOSPITAL CORPORATION

Statement of Changes in Net Assets
(Expressed in Thousands of Dollars)

Year ended March 31, 2016, with comparative information for 2015

	Internally restricted - capital assets	Unrestricted	2016 Total	2015 Total
Balance, beginning of year	\$ 27,081	\$ 27,110	\$ 54,191	\$ 54,894
Excess (deficiency) of revenue over expenses	1,800	(3,984)	(2,184)	(703)
Balance, end of year	\$ 28,881	\$ 23,126	\$ 52,007	\$ 54,191

See accompanying notes to financial statements.

GRAND RIVER HOSPITAL CORPORATION

Statement of Cash Flows
(Expressed in Thousands of Dollars)

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (applied to):		
Operations:		
Deficiency of revenue over expenses	\$ (2,184)	\$ (703)
Employer cash contributions to the KWH pension plan	(9,264)	(10,234)
Employer cash contributions to other defined benefit plans	(406)	(248)
Items not involving cash:		
Amortization of equipment	8,065	7,756
Amortization of buildings and building improvements	11,776	11,466
Amortization of deferred contributions related to equipment	(5,605)	(5,435)
Amortization of deferred contributions related to buildings and building improvements	(9,371)	(9,452)
Defined benefit expense	10,960	8,528
Change in non-cash operating working capital (note 11)	(13,237)	7,355
	(9,266)	9,033
Investing activities:		
Purchase and construction of capital assets, net of disposals	(15,794)	(17,587)
Financing activities:		
Contributions received for capital purposes	11,931	9,091
Increase (decrease) in cash	(13,129)	537
Cash, beginning of year	36,871	36,334
Cash, end of year	\$ 23,742	\$ 36,871

See accompanying notes to financial statements.

GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements
(Expressed in Thousands of Dollars)

Year ended March 31, 2016

The Grand River Hospital Corporation (the "Hospital") is a regional provider of community hospital services. The Hospital provides its services primarily through the Kitchener-Waterloo site and the Freeport site. The Hospital is assigned to the Waterloo Wellington Local Health Integration Network. The Hospital is incorporated under the Corporations Act (Ontario) without share capital and is a registered charity under the Income Tax Act (Canada) and is exempt from income taxes.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with the Chartered Professional Accountants of Canada Handbook - Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations.

There are no remeasurement gains or losses for the years ended March 31, 2016 and 2015. Accordingly, a statement of remeasurement gains and losses is not included in these financial statements.

(a) Basis of presentation:

These financial statements present only the accounts of the Hospital as a separately managed entity. They do not include the accounts of the following related, but separate entities:

Grand River Hospital Volunteer Association

Grand River Hospital Foundation

The financial information of these entities is reported separately from the Hospital.

(b) Basis of funding:

The Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by both the Ministry of Health and Long-Term Care (the MOHLTC) and the Waterloo Wellington Local Health Integration Network. The Hospital has entered into a Hospital Service Accountability Agreement ("H-SAA") with the LHIN that sets out the obligations as well as the minimum performance standards that must be met by the Hospital. Any excess of revenue over expenses with respect to base funding during a fiscal year is not required to be returned. However, if the hospital does not meet its performance standards or obligations under the H-SAA, the LHIN has the right to adjust funding received by the Hospital. The Hospital accrues for known clawback amounts. As at March 31, 2016, management is of the opinion that the Hospital is in compliance with the obligations and minimum performance standards under the H-SAA.

GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements, continued
(Expressed in Thousands of Dollars)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(c) 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 MOHLTC. 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.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate of the related capital assets.

Revenue from the MOHLTC, preferred accommodation, as well as income from parking and other ancillary operations, is recognized when the goods are sold or the service is provided.

(d) Measurement uncertainty:

The preparation of financial statements 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 dates of the financial statements and the reported amounts of revenue and expenses during the years. Significant items subject to such estimates and assumptions include the carrying amount of accrued pension benefit, capital assets, accounts payable and accrued liabilities, accrued other benefit obligation, and valuation allowances for receivables. Actual results could differ from those estimates.

(e) Inventories:

Inventories are valued at lower of cost and net realizable value.

Provision has been made for any obsolete or unusable inventory on hand.

(f) Capital assets:

Capital assets are recorded at cost less accumulated amortization. The Hospital records amortization of its capital assets on a straight-line basis over the estimated useful life of the asset at the following annual rates:

Buildings and building improvements	2% to 20%
Furniture and equipment	5% to 20%

GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements, continued
(Expressed in Thousands of Dollars)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(g) 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 is not reflected in these financial statements.

(h) Employee benefits plans:

The Hospital accrues its obligations under employee benefit plans as the employees render the services necessary to earn the pension and post-retirement benefits. The Hospital has the following accounting policies:

(i) Defined benefit plans:

The Hospital has defined benefit pension plans covering substantially all employees and a supplemental pension plan for a specific group of employees. The benefits are based on years of service and the employee's final average earnings. The cost of this program is being funded currently.

The Hospital provides a defined benefit plan covering health and dental care benefits upon early retirement. Early retirees, who are in receipt of pension benefits, may also elect to receive health and dental benefits under the plan until the age of 65. The cost of health and dental benefits related to employees' current service is charged to income annually.

The cost of pensions and post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, expected health and dental costs and retirement ages of employees.

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 12.3 years (2015 - 12.3 years). The average remaining service period of the active employees covered by the other retirement benefits plan is 13.8 years (2015 - 13.8 years).

Past service costs from plan amendments or plan initiations are recognized immediately in the period the plan amendments occur.

GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements, continued
(Expressed in Thousands of Dollars)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(h) Employee benefits plans (continued):

(ii) Multi-employer plan:

Defined contribution plan accounting (where contributions are expensed as incurred) is applied to the multi-employer defined benefit Healthcare of Ontario Pension Plan ("HOOPP") for which the Hospital does not have the necessary information to apply defined benefit plan accounting.

(i) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

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 incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

Long-term debt is recorded at cost.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements, continued
(Expressed in Thousands of Dollars)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(i) Financial instruments (continued):

- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

2. Cash:

Cash of approximately \$3,398 (2015 - \$5,282) will be needed to fund future capital and operating projects under agreements with Cancer Care Ontario and other minor sponsors.

3. Accounts receivable:

	Operating	Capital	2016	2015
MOHLTC	\$ 444	\$ 2,953	\$ 3,397	\$ 4,994
Cancer Care Ontario	2,237	-	2,237	5,947
Grand River Hospital				
Foundation	278	1,026	1,304	1,304
Patient	6,662	-	6,662	6,417
Other	5,788	14	5,802	5,614
	15,409	3,993	19,402	24,276
Less allowance for doubtful accounts	995	-	995	1,148
	\$ 14,414	\$ 3,993	\$ 18,407	\$ 23,128

4. Capital assets:

	2016		2015	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 809	\$ -	\$ 809	\$ 809
Buildings and related service equipment and improvements	299,715	162,950	136,765	142,314
Furniture and equipment	134,202	92,507	41,695	30,093
Construction in progress	6,845	-	6,845	14,801
	\$ 441,571	\$ 255,457	\$ 186,114	\$ 188,017

Certain land and buildings designated for Hospital purposes are leased to the Hospital, at a nominal charge, by The Corporation of The City of Kitchener and The Corporation of The City of Waterloo.

GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements, continued
(Expressed in Thousands of Dollars)

Year ended March 31, 2016

5. Pension and other defined benefit plans:

Substantially all of the employees of the Kitchener-Waterloo site are members of the KWH pension plan, a defined benefit registered pension plan, and several individuals also participate in an unfunded supplemental pension plan, both of which are final average earnings programs. The Hospital measures its accrued benefit obligations for accounting purposes based on the most recent actuarial valuation as at April 1, 2014, together with a projection of these results to March 31, 2016. The next required valuation will be no later than April 1, 2017 (for fiscal 2018).

Substantially all of the employees of the Freeport site and the Grand River Regional Cancer Centre are eligible to be members of HOOPP, which is a multi-employer, defined benefit, final pay, contributory plan. As HOOPP's assets and liabilities are not segmented by participating employer, the Hospital accounts for its HOOPP obligation on a cash basis (as a defined contribution plan). The most recent actuarial valuation of the plan at December 31, 2015 indicated that the plan is fully funded.

The expense for the Hospital's benefit plans are included in the statement of operations and are as follows:

(a) Multi-employer defined benefit plan:

	2016	2015
Cash paid for contributions to HOOPP	\$ 6,111	\$ 5,916

(b) The information, relating to the Hospital's defined benefit plans:

	2016	2015	2016	2015
	Pension plan	Pension plan	Other benefit plan	Other benefit plan
Current service costs, net of employees' contributions	\$ 9,356	\$ 8,488	\$ 1,058	\$ 720
Interest cost	25,247	22,769	436	417
Less - expected return on plan assets	(26,493)	(24,342)	-	-
Amortization of net actuarial loss	1,189	440	167	36
Benefit plan expense	9,299	7,355	1,661	1,173
Cash paid for employer contributions	(9,264)	(10,234)	(406)	(248)
	\$ 35	\$ (2,879)	\$ 1,255	\$ 925

GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements, continued
(Expressed in Thousands of Dollars)

Year ended March 31, 2016

5. Pension and other defined benefit plans (continued):

(b) The information, relating to the Hospital's defined benefit plans:

	2016	2015	2016	2015
	Pension plan	Pension plan	Other benefit plan	Other benefit plan
Accrued benefit obligation:				
Balance, beginning of year	\$ (405,618)	\$ (365,680)	\$ (11,487)	\$ (8,712)
Current service costs, inclusive of employee contributions	(15,618)	(15,590)	(1,058)	(720)
Interest cost	(25,247)	(22,769)	(436)	(417)
Less - benefits paid	18,465	14,990	375	251
Actuarial gain (loss)	538	(16,569)	435	(1,889)
Balance, end of year	\$ (427,480)	\$ (405,618)	\$ (12,171)	\$ (11,487)
Plan assets:				
Fair value, beginning of year	\$ 423,704	\$ 389,206	\$ -	\$ -
Actual return on plan assets	26,493	24,342	-	-
Employer contributions (included in salaries, wages and benefits)	8,982	10,685	375	251
Employees' contributions	6,962	7,852	-	-
Less - benefits paid	(18,465)	(14,990)	(375)	(251)
Actual plan expenses	(765)	(794)	-	-
Experience gain	5,191	7,403	-	-
Fair value, end of year	\$ 452,102	\$ 423,704	\$ -	\$ -
Funded status-plan surplus (deficit)	\$ 24,622	\$ 18,086	\$ (12,171)	\$ (11,487)
Unamortized net actuarial loss	5,142	11,995	1,702	2,304
Unamortized past service costs	2,134	1,852	94	63
Accrued defined benefit plan asset (obligation)	\$ 31,898	\$ 31,933	\$ (10,375)	\$ (9,120)

GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements, continued
(Expressed in Thousands of Dollars)

Year ended March 31, 2016

5. Pension and other defined benefit plans (continued):

(b) The information, relating to the Hospital's defined benefit plans:

The significant actuarial assumptions adopted in measuring the Hospital's accrued benefit obligation and benefit costs, are as follows:

	2016	2015
Accrued benefit obligation at end of year:		
Rate of compensation increase	3.25%	3.25%
Discount rate (pension benefits)	6.25%	6.25%
Discount rate (other benefits)	3.76%	3.55%
Benefit costs for fiscal year:		
Expected long-term rate of return on plan assets	6.25%	6.25%
Discount rate (pension benefits)	6.25%	6.25%
Discount rate (other benefits)	3.55%	4.55%
Healthcare costs (other benefits) 7.0% in 2015 decreasing 0.5% to 5.0% in 2019	6.50%	7.00%
Dental costs (other benefits)	4.50%	4.50%
Rate of compensation increase	3.25%	3.25%

The KWH pension plan consists of the following assets as at December 31:

	2016	2015
Pooled bonds	44.3%	35.1%
Pooled equities	55.7%	64.9%
	100.0%	100.0%

6. Deferred contributions:

Deferred contributions represent unspent restricted grants for education and research of \$2,092 (2015 - \$2,747) and unspent restricted grants for the Grand River Regional Cancer Centre in the amount of \$1,727 (2015 - \$2,727). The changes in the deferred contributions balance are as follows:

	2016	2015
Balance, beginning of year	\$ 5,511	\$ 7,101
Contributions received during the year	1,443	1,677
Less amounts recognized as revenue during the year	(2,677)	(3,267)
Transfers from deferred capital contributions	(458)	-
Balance, end of year	\$ 3,819	\$ 5,511

GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements, continued
(Expressed in Thousands of Dollars)

Year ended March 31, 2016

7. Deferred capital contributions:

The changes in deferred capital contributions are as follows:

	2016	2015
Balance, beginning of year	\$ 157,905	\$ 155,722
Contributions from:		
Grand River Hospital Foundation (note 13)	3,129	4,770
Ontario Ministry of Health and Long-Term Care	2,903	1,915
Cancer Care Ontario	2,675	3,837
Cancer Care Ontario - capital asset transfer	-	7,171
Other capital contributions (net of disposals and transfers to deferred revenue)	422	(623)
	9,129	17,070
Less:		
Amortization of deferred capital contributions related to equipment	(5,605)	(5,435)
Amortization of deferred capital contributions related to buildings and building improvements	(9,371)	(9,452)
Balance, end of year	\$ 152,058	\$ 157,905

8. Internally restricted - capital assets:

Net assets invested in capital assets are calculated as follows:

	2016	2015
Capital assets	\$ 186,114	\$ 188,017
Amounts financed by:		
Deferred capital contributions	(152,058)	(157,905)
Accounts payable and accrued liabilities	(5,175)	(3,031)
	\$ 28,881	\$ 27,081

The Board of Directors has internally restricted \$28,881 of net assets to fund capital assets (2015 - \$27,081).

GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements, continued
(Expressed in Thousands of Dollars)

Year ended March 31, 2016

9. Commitments and contingencies:

(a) Service commitments:

Specific medical equipment and other support services are outsourced under agreements that expire in future years. An outsourcing agreement is in place for ongoing supply chain services covering contract management, and procurement of medical, surgical and other supplies. The payments that cover the operating components under the terms of these agreements are as follows:

2017	\$	7,482
2018		4,808
2019		4,180
2020		3,701
2021		3,641

(b) Contingencies:

The nature of the Hospital's activities is such that there may be litigation pending or in process at any time. With respect to claims at March 31, 2016, management believes that the Hospital has valid defenses and appropriate insurance coverage in place. In the event claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

On July 1, 1987, a group of health care organizations ("subscribers"), which the Hospital was party of, formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces and territories where it is licensed. Subscribers pay annual premiums which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No assessments have been made to March 31, 2016.

GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements, continued
(Expressed in Thousands of Dollars)

Year ended March 31, 2016

9. Commitments and contingencies (continued):

(c) Letter of credit:

The Hospital issued a standby letter of credit through its financial institution to provide a guarantee to the KWH pension plan for \$6,771, with an annual renewal clause up to March 31, 2020.

10. MOHLTC PCOP reconciliation adjustment:

In 2016, the Hospital received confirmation from the MOHLTC that liabilities related to PCOP from April 1, 2014 to March 31, 2015 are reduced from the original estimate of \$1,555 to zero. Furthermore, the MOHLTC confirmed that the Hospital has met its obligation for PCOP volumes and, as such, there is no further PCOP recovery for the year ended March 31, 2016. This resulted in the Hospital recording additional revenue in the statement of operations for the year ended March 31, 2016 of \$1,555.

In 2015, the Hospital received confirmation from the MOHLTC that liabilities related to PCOP from April 1, 2013 to March 31, 2014 are reduced from the original estimate of \$6,069. The revised recovery is \$3,744. This resulted in the Hospital recording additional revenue in the statement of operations for the year ended March 31, 2015 of \$2,325.

11. Net change in non-cash operating working capital balances:

	2016	2015
Accounts receivable not applicable to capital assets	\$ 1,919	\$ 2,300
Inventories	(619)	(850)
Prepaid expenses	(458)	(1,028)
Accounts payable and accrued liabilities not applicable to capital assets	(11,186)	5,852
Accrued salary, wages and benefits liabilities	(1,201)	2,671
Deferred contributions not applicable to capital assets	(1,692)	(1,590)
	<u>\$ (13,237)</u>	<u>\$ 7,355</u>

GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements, continued
(Expressed in Thousands of Dollars)

Year ended March 31, 2016

12. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to credit risk with respect to the accounts receivable, cash and long-term investments.

The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Hospital at March 31, 2016 is the carrying value of these assets.

As at March 31, 2016, \$1,876 (2015 - \$1,305) of accounts receivable were past due, but not impaired.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the income statement. Subsequent recoveries of impairment losses related to accounts receivable are credited to the income statement. The balance of the allowance for doubtful accounts at March 31, 2016 is \$995 (2015 - \$1,148).

(b) Liquidity risk:

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

GRAND RIVER HOSPITAL CORPORATION

Notes to Financial Statements, continued
(Expressed in Thousands of Dollars)

Year ended March 31, 2016

13. Related party transactions:

(a) Grand River Hospital Foundation:

The Grand River Hospital Foundation (the "Foundation") is an independent organization which raises funds to finance the purchase of capital assets, as well as research and education, as directed by the Foundation's donors, for the Hospital. Although the Foundation is a separate entity and disburses funds at the discretion of its own Board of Governors, one of the Foundation Board members is a member of the Hospital. The accounts of the Foundation are not included in these financial statements.

During the year, the Foundation donated \$3,129 (2015 - \$4,770) to the Hospital to fund capital projects and \$1,702 (2015 - \$1,502) for programs. At March 31, 2016, there is \$1,304 (2015 - \$1,304) due from the Foundation to the Hospital. At March 31, 2016, the Foundation had net assets of \$34,813 (December 31, 2014 - \$32,523).

(b) Grand River Hospital Volunteer Association:

The Grand River Hospital Volunteer Association (the "Volunteer Association") is an independent organization, which raises funds and contributes these funds to the Foundation, which in turn contributes the funds to the Hospital for the purpose mentioned above. The accounts of the Volunteer Association are not included in these financial statements.

(c) Grand River Regional Cancer Centre:

The Hospital operates an Integrated Cancer Program ("ICP") with Cancer Care Ontario ("CCO"). Under the ICP, CCO as paymaster for the MOHLTC, provides operating funding of \$30,842 restricted for cancer services, to cover the Hospital for ambulatory, hotel and corporate costs for the year ended March 31, 2016 (2015 - \$30,401). MOHLTC funding for inpatient oncology services remains as part of the Hospital's global funding.

14. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year deficiency of revenue over expenses.