Financial statements of

Grand River Hospital Corporation

Year ended March 31, 2017
(Expressed in Thousands of Dollars)

Grand River Hospital Corporation

Financial statements
(Expressed in Thousands of Dollars)

Year ended March 31, 2017

KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J 5A3
Canada
Tel 519 747-8800
Fax 519 747-8830

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, 2017, 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.

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, 2017, and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 23, 2017
Waterloo, Canada

Grand River Hospital Corporation

Statement of Financial Position
(Expressed in Thousands of Dollars)

As at March 31, 2017, with comparative information for 2016

	Notes		2017		2016
Assets					
Current Assets					
Cash	**2**	$	24,350	$	23,742
Accounts receivable	**3**		19,823		18,407
Inventories			4,299		4,203
Prepaid expenses			5,034		4,156
Total Current Assets			**53,506**		**50,508**
Long-Term Assets					
Capital assets	**4**		184,595		186,114
Accrued pension benefit assets	**5**		35,485		31,898
Total Long-Term Assets			**220,080**		**218,012**
Total Assets		**$**	**273,586**	**$**	**268,520**
Liabilities and Net Assets					
Current Liabilities					
Accounts payable and accrued liabilities		$	37,132	$	28,452
Accrued salary, wages and benefit liabilities			17,155		21,809
Deferred contributions	**6**		2,929		3,819
Total Current Liabilities			57,216		**54,080**
Long-Term Liabilities					
Accrued other benefits obligation	**5**		11,668		10,375
Deferred capital contributions	**7**		152,270		152,058
Total long-Term Liabilities			163,938		**162,433**
Net Assets					
Internally restricted — capital assets	**8**		28,235		28,881
Unrestricted			24,197		23,126
Total Net Assets			52,432		52,007
Commitments and contingencies	**9**				
Total Liabilities and Net Assets		**$**	**273,586**	**$**	**268,520**

See the accompanying notes to the 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, 2017, with comparative information for 2016

	Notes	2017	2016
Revenue			
Ontario Ministry of Health and Long-Term Care (“MOHLTC”) Operating		$ 305,221	$ 295,806
Billable patient services		26,531	26,083
Recoveries from external sources		23,008	23,516
Other		6,220	7,653
Amortization of deferred capital contributions related to equipment	**7**	5,948	5,605
Total revenue		**366,928**	**358,663**
Expenses			
Salaries, wages, benefits and purchased services		229,517	231,785
Medical staff remuneration		26,607	26,351
Non-salary		98,676	93,796
Amortization of equipment		8,876	8,065
Total expenses		**363,676**	**359,997**
Excess/(deficiency) of revenue over expenses before the undernoted		**3,252**	**(1,334)**
MOHLTC PCOP reconciliation adjustment	**10**	—	1,555
Excess of revenue over expenses for MOHLTC purposes		**3,252**	**221**
Amortization of buildings and building improvements		(12,281)	(11,776)
Amortization of deferred capital contributions related to buildings and building improvements	**7**	9,454	9,371
Excess (deficiency) of revenue over expenses		**$ 425**	**$ (2,184)**

See the accompanying notes to the financial statements.

Grand River Hospital Corporation

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

Year ended March 31, 2017, with comparative information for 2016

		Internally restricted — capital assets		**Unrestricted**		**Total 2017**		**Total 2016**
Balance, beginning of year	$	28,881	$	23,126	$	52,007	$	54,191
Excess (deficiency) of revenue over expenses		(646)		1,071		425		(2,184)
Balance, end of year	**$**	**28,235**	**$**	**24,197**	**$**	**52,432**	**$**	**52,007**

See the accompanying notes to the financial statements.

Grand River Hospital Corporation

Statement of Cash Flows
(Expressed in Thousands of Dollars)

Year ended March 31, 2017, with comparative information for 2016

	Notes	2017	2016
Cash provided by (used in)			
Operations			
Excess (deficiency) of revenue over expenses		$ 425	$ (2,184)
Employer cash contributions to the KWH pension plan	**5(b)**	(9,168)	(9,264)
Employer cash contributions to other defined benefit plans	**5(b)**	(385)	(406)
Items not involving cash			
Amortization of equipment		8,876	8,065
Amortization of buildings and building improvements		12,281	11,776
Amortization of deferred contributions related to equipment		(5,948)	(5,605)
Amortization of deferred contributions related to building and building improvements		(9,454)	(9,371)
Defined benefit expense		7,259	10,960
Change in non-cash operating working capital	**11**	3,495	(13,237)
Cash provided by (used in) operating activities		**7,381**	**(9,266)**
Investing Activities			
Purchase and construction of capital assets, net of disposals		(20,723)	(15,794)
Cash used in investing activities		**(20,723)**	**(15,794)**
Financing Activities			
Contributions received for capital purposes		13,950	11,931
Cash provided by financing activities		**13,950**	**11,931**
Increase (decrease) in cash		**608**	**(13,129)**
Cash, beginning of year		23,742	36,871
Cash, end of year		**$ 24,350**	**$ 23,742**

See the accompanying notes to the financial statements.

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, 2017 and 2016. 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, 2017, management is of the opinion that the Hospital is in compliance with the obligations and minimum performance standards under the H-SAA.

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.

1. Significant accounting policies (continued):

(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%

(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.

1. Significant accounting policies (continued):

(h) Employee benefits plans (continued):

(i) Defined benefit plans (continued):

The average remaining service period of the active employees covered by the pension plan is 12.3 years (2016 - 12.3 years). The average remaining service period of the active employees covered by the other retirement benefits plan is 13.8 years (2016 - 13.8 years).

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

(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.

(Expressed in Thousands of Dollars)

1. Significant accounting policies (continued):

(i) Financial instruments (continued):

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
- 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 and cash equivalents:

Cash of approximately $2,442 (2016 - $3,398) 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	2017	2016
MOHLTC	$ 641	$ 2,953	$ 3,594	$ 3,397
Cancer Care Ontario	1,157	1,123	2,280	2,237
Grand River Hospital Foundation	333	1,581	1,914	1,304
Patient	7,105	—	7,105	6,662
Other	6,036	—	6,036	5,802
	15,272	5,657	20,929	19,402
Less allowance for doubtful accounts	1,106	—	1,106	995
Total accounts receivable	**$ 14,166**	**$ 5,657**	**$ 19,823**	**$ 18,407**

(Expressed in Thousands of Dollars)

4. Capital assets:

			2017 Net book value	2016 Net book value
	Cost	Accumulated amortization		
Land	$ 809	$ —	$ 809	$ 809
Buildings and related service equipment and improvements	305,442	(175,231)	130,211	136,765
Furniture and equipment	140,442	(98,230)	42,212	41,695
Construction in progress	11,363	—	11,363	6,845
Total capital assets	**$ 458,056**	**$ (273,461)**	**$ 184,595**	**$ 186,114**

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.

5. Pension and other defined benefit plans:

Substantially all of the employees of the Kitchener-Waterloo site are members of the Pension Plan for Employees of Kitchener-Waterloo Hospital (the "KWH pension plan"), a defined benefit registered pension plan, and a small group 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, 2017. 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, 2016 indicated that the plan is fully funded.

(Expressed in Thousands of Dollars)

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

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:

		2017		2016
Cash paid for contributions to HOOPP	$	6,597	$	6,111
Cash paid for transfer of portion of pension plan to HOOPP		1,410		—

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

		2017		2016		2017		2016
		Pension plan		Pension plan		Other benefit plan		Other benefit plan
Current service costs, net of employees' contributions	$	9,409	$	9,356	$	1,058	$	1,058
Interest cost		26,533		25,247		436		436
Less – expected return on plan assets		(28,189)		(26,493)		—		—
Actuarial gain due to plan settlement		(1,753)		—		—		—
Cash paid for transfer of portion of pension plan to HOOPP		(1,410)		—		—		—
Amortization of net actuarial loss		1,008		1,189		167		167
Benefit plan expense		**5,598**		**9,299**		**1,661**		**1,661**
Cash paid for employer contributions		(9,168)		(9,264)		(385)		(406)
	$	**(3,570)**	**$**	**35**	**$**	**1,276**	**$**	**1,255**

(Expressed in Thousands of Dollars)

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

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

	2017	2016	2017	2016
	Pension plan	Pension plan	Other benefit plan	Other benefit plan
Accrued benefit obligation, beginning of year	$ (427,480)	$ (405,618)	$ (12,171)	$ (11,487)
Current service costs, inclusive of employee contributions	(16,068)	(15,618)	(1,058)	(1,058)
Interest cost	(26,533)	(25,247)	(485)	(436)
Less – benefits paid	23,984	18,465	375	406
Actuarial loss (gain)	(74)	538	3	404
Actuarial gain due to plan settlement	1,753	—	—	—
Cash paid for transfer of portion of pension plan to HOOPP	1,410	—	—	—
Accrued benefit obligation, balance, end of year	**$** (443,008)	**$ (427,480)**	**$ (13,277)**	**$ (12,171)**
Plan assets fair value, beginning of year	$ 452,102	$ 423,704	$ —	$ —
Actual return on plan assets	28,189	26,493	—	—
Employer contributions (included in salaries, wages and benefits)	9,399	8,964	383	406
Employee contributions	7,359	6,962	—	—
Less benefits paid	(23,984)	(18,447)	(383)	(406)
Actual plan expenses	(459)	(765)	—	—
Experience gain	11,921	5,191	—	—
Plan assets fair value, end of year	**$ 484,527**	**$ 452,102**	**$** —	**$ —**
Funded status plan surplus (deficit)	**$ 41,519**	**$ 24,622**	**$ (13,277)**	**$ (12,171)**
Unamortized net actuarial gain (loss)	(7,937)	5,142	1,513	1,702
Employer contributions after measurement date	1,903	2,134	96	94
Accrued defined benefit plan assets (obligation)	**$ 35,485**	**$ 31,898**	**$ (11,668)**	**$ (10,375)**

(Expressed in Thousands of Dollars)

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

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

	2017	2016
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)	3.61%	3.76%
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)	3.76%	3.55%
Healthcare costs (other benefits), 6.0% in 2017 decreasing 0.5% to 5.0% in 2019	6.00%	6.50%
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.

	2017	2016
Pooled bonds	38%	44%
Pooled equities	62%	56%
	100%	100%

6. Deferred contributions:

Deferred contributions represent unspent restricted grants for education and research of $2,373 (2016 - $2,092) and unspent restricted grants for the Grand River Regional Cancer Centre in the amount of $377 (2016 - $1,727). The changes in the deferred contributions balance are as follows:

	2017	2016
Balance, beginning of year	$ 3,819	$ 5,511
Contributions received during the year	916	1,443
Less amounts recognized as revenue during the year	(1,851)	(2,677)
Transfers from deferred capital contributions	45	(458)
Balance, end of year	**$ 2,929**	**$ 3,819**

(Expressed in Thousands of Dollars)

7. Deferred capital contributions:

The changes for the year in the deferred contributions — capital assets balance are as follows:

	Note	2017	2016
Balance, beginning of year		$ 152,058	$ 157,905
Contributions from:			
Grand River Hospital Foundation	**12**	6,912	3,129
Ontario Ministry of Health and Long-Term Care		5,409	2,903
Cancer Care Ontario		2,768	2,675
Cancer Care Ontario – capital asset transfer		—	—
Other capital contributions (net of disposals and transfers to deferred revenue)		525	422
		15,614	9,129
Less:			
Amortization of deferred capital contributions related to equipment		(5,948)	(5,605)
Amortization of deferred capital contributions related to buildings and building improvements		(9,454)	(9,371)
Balance, end of year		**$ 152,270**	**$ 152,058**

8. Internally restricted – capital assets:

Net assets invested in capital assets are calculated as follows:

	2017	2016
Capital assets	$ 184,595	$ 186,114
Amounts financed by:		
Deferred capital contributions	(152,270)	(152,058)
Accounts payable and accrued liabilities	(4,090)	(5,175)
Total internally restricted – capital assets	**$ 28,235**	**$ 28,881**

The Board of Directors has internally restricted $28,235 of net assets to fund capital assets (2016 - $28,881).

(Expressed in Thousands of Dollars)

9. Commitment 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:

2018	$	6,948
2019		5,899
2020		5,420
2021		5,420
2022		5,420
Total	**$**	**29,107**

(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, 2017, 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, 2017.

(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.

(Expressed in Thousands of Dollars)

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, 2016 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, 2017. As a result the Hospital recorded additional revenue in the statement of operations for the year ended March 31, 2016 of $1,555.

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

		2017		2016
Accounts receivable not applicable to capital assets	$	248	$	1,919
Inventories		(96)		(619)
Prepaid expenses		(878)		(458)
Accounts payable and accrued liabilities not applicable to capital assets		9,765		(11,186)
Accrued salary, wages and benefit liabilities		(4,654)		(1,201)
Deferred contributions not applicable to capital assets		(890)		(1,692)
Total change in non-cash operating working capital	**$**	**3,495**	**$**	**(13,237)**

(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, 2017 is the carrying value of these assets.

As at March 31, 2017, $1,203 (2016 - $1,876) of accounts receivable were past due, but not impaired.

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

(a) Credit risk (continued):

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, 2017 is $1,106 (2016 - $995).

(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.

12. 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 $6,912 (2016 - $3,129) to the Hospital to fund capital projects and $1,658 (2016 - $1,702) for programs. At March 31, 2017, there is $1,914 (2016 - $1,304) due from the Foundation to the Hospital. At March 31, 2017, the Foundation had net assets of $31,751 (March 31, 2016 – $34,813).

(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.

12. Related party transactions (continued):

(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 $30,796 restricted for cancer services, to cover the Hospital for ambulatory, hotel and corporate costs for the year ended March 31, 2017 (2016 - $30,842). MOHLTC funding for inpatient oncology services remains as part of the Hospital's global funding.