Financial statements of

Grand River Hospital Corporation

Year ended March 31, 2018
(Expressed in Thousands of Dollars)

Grand River Hospital Corporation

Financial statements
(Expressed in Thousands of Dollars)

Year ended March 31, 2018

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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, 2018, 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, 2018, 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

Waterloo, Canada
May 29, 2018

Grand River Hospital Corporation

Statement of Financial Position
(Expressed in Thousands of Dollars)

As at March 31, 2018, with comparative information for 2017

	Notes		2018		2017
Assets					
Current Assets					
Cash	**2**	$	3,889	$	24,350
Accounts receivable	**3**		25,610		19,823
Inventories			4,238		4,299
Prepaid expenses			4,793		5,034
Total Current Assets			**38,530**		**53,506**
Long-Term Assets					
Capital assets	**4**		194,364		184,595
Accrued pension benefit assets	**5**		40,645		35,485
Total Long-Term Assets			**235,009**		**220,080**
Total Assets		**$**	**273,539**	**$**	**273,586**
Current Liabilities and Net Assets					
Accounts payable and accrued liabilities		$	33,535	$	37,132
Accrued salary, wages and benefit liabilities			18,369		17,155
Deferred contributions	**7**		3,578		2,929
Total Current Liabilities			**55,482**		**57,216**
Long-Term Liabilities					
Accrued other benefits obligation	**5**		13,232		11,668
Deferred capital contributions	**7**		155,768		152,270
Total Long-Term Liabilities			**169,000**		**163,938**
Net Assets					
Internally restricted - capital assets	**8**		33,792		28,235
Unrestricted			15,265		24,197
Total Net Assets			49,057		52,432
Commitments and contingencies	**5 and 9**				
Subsequent event	**13**				
Total Liabilities and Net Assets		**$**	**273,539**	**$**	**273,586**

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, 2018, with comparative information for 2017

	Notes		2018		2017
Revenue					
Ontario Ministry of Health and Long-Term Care ("MOHLTC") Operating		$	312,479	$	305,221
Billable patient services			26,167		26,531
Recoveries from external sources			26,400		23,008
Other			7,070		6,220
Amortization of deferred capital contributions related to equipment	**7**		6,940		5,948
Total revenue			**379,056**		**366,928**
Expenses					
Salaries, wages, benefits and purchased services			240,213		229,517
Medical staff remuneration			27,039		26,607
Non-salary			102,543		98,676
Amortization of equipment			9,932		8,876
Total expenses			**379,727**		**363,676**
Excess (deficiency) of revenue over expenses for MOHLTC purposes			**(671)**		**3,252**
Amortization of buildings and building improvements			(12,321)		(12,281)
Amortization of deferred capital contributions related to buildings and building improvements	**7**		9,617		9,454
Excess (deficiency) of revenue over expenses		**$**	**(3,375)**	**$**	**425**

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, 2018, with comparative information for 2017

	Internally restricted - capital assets	Unrestricted	Total 2018	Total 2017
Balance, beginning of year	$ 28,235	$ 24,197	$ 52,432	$ 52,007
Excess (deficiency) of revenue over expenses	5,557	(8,932)	(3,375)	425
Balance, end of year	**$ 33,792**	**$ 15,265**	**$ 49,057**	**$ 52,432**

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, 2018, with comparative information for 2017

	Notes		2018		2017
Cash provided by (used in)					
Operations					
Excess (deficiency) of revenue over expenses		$	(3,375)	$	425
Employer cash contributions to the KWH pension plan	**5(b)**		(11,329)		(9,168)
Employer cash contributions to other defined benefit plans	**5(b)**		(207)		(385)
Items not involving cash					
Amortization of equipment			9,932		8,876
Amortization of buildings and building improvements			12,321		12,281
Amortization of deferred contributions related to equipment			(6,940)		(5,948)
Amortization of deferred contributions related to building and building improvements			(9,617)		(9,454)
Defined benefit expense			7,940		7,259
Change in non-cash operating working capital	**10**		(2,825)		3,495
Cash provided by (used in) operating activities			**(4,100)**		**7,381**
Investing Activities					
Purchase and construction of capital assets, net of disposals			(31,308)		(20,723)
Cash used in investing activities			**(31,308)**		**(20,723)**
Financing Activities					
Contributions received for capital purposes			14,947		13,950
Cash provided by financing activities			**14,947**		**13,950**
Increase (decrease) in cash			**(20,461)**		**608**
Cash, beginning of year			24,350		23,742
Cash, end of year		**$**	**3,889**	**$**	**24,350**

See the accompanying notes to the financial statements.

Grand River Hospital Corporation (the “Hospital”) is a regional provider of community hospital services. The Hospital provides its services primarily through the Kitchener-Waterloo campus and the Freeport campus. 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 (the “standards”) including the 4200 standards for government not-for-profit organizations.

There are no remeasurement gains or losses for the years ended March 31, 2018 and 2017. 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 (“LHIN”). 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, 2018, 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.

(f) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Amortization is not taken on assets under construction until they are placed in use. 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:

1. **Significant accounting policies (continued):**

(f) Capital assets (continued):

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 12.4 years (2017 - 12.3 years). The average remaining service period of the active employees covered by the other retirement benefits plan is 12.7 years (2017 - 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 $3,578 (2017 - $2,442) 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	2018	2017
MOHLTC	$ 839	$ 2,953	$ 3,792	$ 3,594
Cancer Care Ontario	1,253	-	1,253	2,280
Grand River Hospital Foundation	723	7,706	8,429	1,914
Patient	6,388	-	6,388	7,105
Other	6,728	106	6,834	6,036
	15,931	10,765	26,696	20,929
Less allowance for doubtful accounts	1,086	-	1,086	1,106
Total accounts receivable	**$ 14,845**	**$ 10,765**	**$ 25,610**	**$ 19,823**

(Expressed in Thousands of Dollars)

4. Capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	$ 809	$ -	$ 809	$ 809
Buildings and related service equipment and improvements	308,351	187,552	120,799	130,211
Furniture and equipment	152,300	107,011	45,289	42,212
Asset under construction	27,467	-	27,467	11,363
Total capital assets	**$ 488,927**	**$ 294,563**	**$ 194,364**	**$ 184,595**

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:

On May 8, 2018, the Hospital entered into an agreement with the Board of Trustees of HOOPP to merge the KWH pension plan into HOOPP on June 2, 2019.

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 the KWH pension plan for accounting purposes based on the most recent actuarial valuation as at April 1, 2017, together with a projection of these results to March 31, 2018. The Hospital measures its accrued benefit obligations for the other benefit plan for accounting purposes based on the most recent actuarial valuation as at April 1, 2017, together with a projection of these results to March 31, 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, 2017 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:

	2018	2017
Cash paid for contributions to HOOPP	$ 6,717	$ 6,597
Cash paid for transfer of portion of pension plan to HOOPP	—	1,410

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

	2018	2017	2018	2017
	Pension plan	Pension plan	Other benefit Plan	Other benefit plan
Current service costs, net of employees' contributions	$ 9,114	$ 9,409	$ 1,154	$ 1,070
Interest cost	27,541	26,533	507	485
Less – expected return on plan assets	(30,197)	(28,189)	—	—
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 (gain) loss	(289)	1,008	110	123
Benefit plan expense	**6,169**	**5,598**	**1,771**	**1,678**
Cash paid for employer contributions	(11,329)	(9,168)	(207)	(385)
	$ (5,160)	**$ (3,570)**	**$ 1,564**	**$ 1,293**

(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):

	2018 Pension plan	2017 Pension plan	2018 Other benefit plan	2017 Other benefit plan
Accrued benefit obligation, beginning of year	$ (443,008)	$ (427,480)	$ (13,277)	$ (12,171)
Current service costs, inclusive of employee contributions	(15,701)	(16,068)	(1,154)	(1,070)
Interest cost	(27,541)	(26,533)	(507)	(485)
Less – benefits paid	20,355	23,984	242	383
Actuarial gain (loss)	2,679	(74)	7,038	66
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	**$ (463,216)**	**$ (443,008)**	**$ (7,658)**	**$ (13,277)**
Plan assets fair value, beginning of year	$ 484,527	$ 452,102	$ —	$ —
Actual return on plan assets	30,197	28,189	—	—
Employer contributions (included in salaries, wages and benefits)	9,328	9,399	242	383
Employee contributions	7,287	7,359	—	—
Less benefits paid	(20,355)	(23,984)	(242)	(383)
Actual plan expenses	(722)	(459)	—	—
Experience gain	13,686	11,921	—	—
Plan assets fair value, end of year	**$ 523,948**	**$ 484,527**	**$ —**	**$ —**
Funded status plan surplus (deficit)	**$ 60,732**	**$ 41,519**	**$ (7,658)**	**$ (13,277)**
Unamortized net actuarial loss (gain)	(23,991)	(7,937)	(5,635)	1,513
Employer contributions after measurement date	3,904	1,903	61	96
Accrued defined benefit plan assets (obligation)	**$ 40,645**	**$ 35,485**	**$ (13,232)**	**$ (11,668)**

(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:

	2018	2017
Accrued benefit obligation at end of year:		
Rate of compensation increase	3.00%	3.25%
Discount rate (pension benefits)	6.25%	6.25%
Discount rate (other benefits)	3.43%	3.61%
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)	3.61%	3.76%
Healthcare costs (other benefits), 6.0% in 2017 5.5% in 2018, 5.0% in 2019	5.50%	6.00%
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.

	2018	2017
Pooled bonds	39%	38%
Pooled equities	61%	62%
	100%	100%

6. Operating line:

The Hospital has an operating line available to a maximum of $25,000 at bank's prime minus 0.85% and is unsecured.

(Expressed in Thousands of Dollars)

7. Deferred contributions:

Deferred contributions include unspent restricted grants for education and research of $1,582 (2017 - $2,373) and unspent restricted grants for the Grand River Regional Cancer Centre in the amount of $1,861 (2017 - $377). The changes in the deferred contributions balance are as follows:

	2018	2017
Balance, beginning of year	$ 2,929	$ 3,819
Contributions received during the year	2,127	916
Less amounts recognized as revenue during the year	(1,433)	(1,851)
Transfers from deferred capital contributions	(45)	45
Balance, end of year	**$ 3,578**	**$ 2,929**

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

	Note	2018	2017
Balance, beginning of year		$ 152,270	$ 152,058
Contributions from:			
Grand River Hospital Foundation	**12**	13,447	6,912
Ontario Ministry of Health and Long-Term Care		4,784	5,409
Cancer Care Ontario		1,367	2,768
Other capital contributions (net of disposals and transfers to deferred revenue)		457	525
		20,055	15,614
Less:			
Amortization of deferred capital contributions related to equipment		(6,940)	(5,948)
Amortization of deferred capital contributions related to buildings and building improvements		(9,617)	(9,454)
Balance, end of year		**$ 155,768**	**$ 152,270**

(Expressed in Thousands of Dollars)

8. Internally restricted - capital assets:

Net assets invested in capital assets are calculated as follows:

	2018	2017
Capital assets	$ 194,364	$ 184,595
Amounts financed by:		
Deferred capital contributions	(155,768)	(152,270)
Accounts payable and accrued liabilities	(4,804)	(4,090)
Total internally restricted – capital assets	**$ 33,792**	**$ 28,235**

The Board of Directors has internally restricted $33,792 of net assets to fund capital assets (2017 - $28,235).

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:

2019	$ 7,077
2020	6,292
2021	3,054
2022	465
2023	472
Total	**$ 17,360**

9. Commitment and contingencies (continued):

(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, 2018, 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, 2018.

(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.

(d) Capital and operating commitments:

The Hospital has entered into several contracts relating to the common system implementation. The commitments are $44,788 as at March 31, 2018. This project is being funded by the Grand River Hospital Foundation and by the Hospital.

(Expressed in Thousands of Dollars)

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

	2018	2017
Accounts receivable not applicable to capital assets	$ (679)	$ 248
Inventories	61	(96)
Prepaid expenses	241	(878)
Accounts payable and accrued liabilities not applicable to capital assets	(4,311)	9,765
Accrued salary, wages and benefit liabilities	1,214	(4,654)
Deferred contributions not applicable to capital assets	649	(890)
Total change in non-cash operating working capital	**$ (2,825)**	**$ 3,495**

11. Financial risks:

(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, 2018 is the carrying value of these assets.

As at March 31, 2018, $1,067 (2017 - $1,203) 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, 2018 is $1,086 (2017 - $1,106).

11. Financial risks (continued):

(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 $13,447 (2017 - $6,912) to the Hospital to fund capital projects and $1,577 (2017 - $1,658) for programs. At March 31, 2018, there is $8,429 (2017 - $1,914) due from the Foundation to the Hospital. At March 31, 2018, the Foundation had net assets of $21,296 (2017 - $31,513).

(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 $32,979 restricted for cancer services, to cover the Hospital for ambulatory, hotel and corporate costs for the year ended March 31, 2018 (2017 - $30,796). MOHLTC funding for inpatient oncology services remains as part of the Hospital's global funding.

13. Subsequent event:

On May 8, 2018, the Hospital entered into an agreement with the Board of Trustees of HOOPP to merge the KWH pension plan into HOOPP on June 1, 2019, the effective date of the transfer. As a result of this merger, the Hospital will need to pay approximately $33,000 to HOOPP within 120 days of the effective date of the transfer. The Hospital plans to borrow the amount to be paid to HOOPP. With the signing of the merger agreement effective May 8, 2018 HOOPP has assumed certain risks associated with the pension plan.