

Financial Statements of

**NORFOLK GENERAL
HOSPITAL**

Year ended March 31, 2018

Management Responsibility for Financial Reporting

The financial statements of Norfolk General Hospital have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Norfolk General Hospital's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Finance Committee. The Finance Committee is appointed by the Board and meets periodically with management and the auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Finance Committee also considers for review and approval by the Board, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the directors by KPMG LLP, in accordance with generally accepted auditing standards.



Tom Thomson, CPA, CA, VP of Finance



Trevor Stickl, Finance Committee Chair



KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton Ontario L8P 4W7
Canada
Telephone (905) 523-8200
Fax (905) 523-2222

INDEPENDENT AUDITORS' REPORT

To the Members Norfolk General Hospital

We have audited the accompanying financial statements of The Norfolk General Hospital which comprise the statement of financial position as at March 31, 2018, the statements of operations and changes in fund balances 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 an 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 Norfolk General Hospital as at March 31, 2018, and the results of its operations, 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

Hamilton, Canada

June 6, 2018

NORFOLK GENERAL HOSPITAL

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 1,224,234	\$ -
Accounts receivable	1,084,462	2,324,074
Harmonized sales tax recoverable	488,957	378,375
Inventories (note 2)	294,638	272,617
Prepaid expenses	282,340	434,736
Due from influenced organizations (note 3)	835,949	3,563
	<u>4,210,580</u>	<u>3,413,365</u>
Property and equipment (note 4)	21,522,423	18,605,367
Long-term receivable	135,772	135,772
	<u>\$ 25,868,775</u>	<u>\$ 22,154,504</u>

Liabilities and Net Assets

Current liabilities:		
Bank indebtedness (note 5)	\$ -	\$ 973,609
Accounts payable and accrued liabilities (note 6)	5,348,489	3,611,448
Accrued payroll and vacation pay	3,457,124	2,940,719
Deferred revenue (note 7)	141,278	145,362
Term loan (note 8)	674,350	745,922
	<u>9,621,241</u>	<u>8,417,060</u>
Deferred capital contributions (note 9)	19,135,020	15,610,467
Employee future benefits (note 10)	710,800	697,400
	<u>19,845,820</u>	<u>16,307,867</u>
	29,467,061	24,724,927
Net assets:		
Invested in property and equipment (note 11)	2,387,403	2,994,900
Unrestricted	(5,985,689)	(5,565,323)
	<u>(3,598,286)</u>	<u>(2,570,423)</u>
Contingencies (note 14)		
	<u>\$ 25,868,775</u>	<u>\$ 22,154,504</u>

See accompanying notes to financial statements.

On Behalf of the Board:



Director



Director

NORFOLK GENERAL HOSPITAL

Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Operating revenues:		
Ministry funding (note 12)	\$ 40,214,041	\$ 40,724,892
OHIP and patient services revenue	3,592,462	3,780,515
Differential and co-payment revenue	321,230	409,044
Recoveries and other revenue	3,545,336	3,201,421
Amortization of deferred capital contributions	707,317	727,659
	<u>48,380,386</u>	<u>48,843,531</u>
Operating expenses:		
Salaries and wages	24,626,064	24,047,236
Employee benefits	6,952,531	6,923,596
Medical staff remuneration	6,369,777	6,363,143
Medical and surgical supplies	1,930,357	2,063,612
Drugs	912,345	905,679
Other supplies and expenses (note 13)	7,207,499	7,274,996
Amortization of operating equipment	1,277,730	1,091,021
	<u>49,276,303</u>	<u>48,669,283</u>
Excess of operating (expenses over revenues) revenues over expenses before the undernoted	(895,917)	174,248
Other revenue (expense):		
Amortization of deferred capital contributions relating to buildings	892,970	651,101
Amortization of buildings	(957,322)	(708,192)
	<u>(64,352)</u>	<u>(57,091)</u>
Other votes and program revenue (expense):		
Revenue	1,112,338	1,201,958
Expenses excluding amortization of equipment	(1,170,381)	(1,221,331)
Amortization of equipment	(9,551)	(9,999)
	<u>(67,594)</u>	<u>(29,372)</u>
Excess of (expenses over revenues) revenues over expenses	<u>\$ (1,027,863)</u>	<u>\$ 87,785</u>

See accompanying notes to financial statements.

NORFOLK GENERAL HOSPITAL

Statement of Changes in Net Assets

Year ended March 31, 2018 with comparative information for 2017

March 31, 2018	Invested in capital assets	Unrestricted	Total
Net assets, beginning of year	\$ 2,994,900	\$ (5,565,323)	\$ (2,570,423)
Excess of expenses over revenues (note 11(b))	(644,316)	(383,547)	(1,027,863)
Net change in investment in capital assets (note 11(b))	36,819	(36,819)	-
Net assets, end of year	\$ 2,387,403	\$ (5,985,689)	\$ (3,598,286)

March 31, 2017	Invested in capital assets	Unrestricted	Total
Net assets, beginning of year	\$ 3,187,723	\$ (5,845,931)	\$ (2,658,208)
Excess of (expenses over revenue) revenues over expenses (note 11(b))	(430,452)	518,237	87,785
Net change in investment in capital assets (note 11(b))	237,629	(237,629)	-
Net assets, end of year	\$ 2,994,900	\$ (5,565,323)	\$ (2,570,423)

See accompanying notes to financial statements.

THE NORFOLK HOSPITAL

Statement of Cash Flows

Year ended March 31, 2018 with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of (expenses over revenues) revenues over expenses for the year	\$ (1,027,863)	\$ 87,785
Items not involving cash:		
Increase in employee future benefits	13,400	5,800
Amortization of property and equipment	2,244,603	1,809,212
Amortization of deferred capital contributions	(1,600,287)	(1,378,760)
	(370,147)	524,037
Change in non-cash operating working capital balances:		
Accounts receivable	1,239,612	(1,150,560)
Harmonized sales tax recoverable	(110,582)	(160,177)
Inventories	(22,021)	(19,481)
Prepaid expenses	152,396	133,793
Due from influenced organizations	(832,386)	253,108
Accounts payable and accrued liabilities	1,737,041	228,348
Accrued payroll and vacation pay	516,405	500,867
Deferred revenue	(4,084)	(5,986)
Cash flow from operating activities	2,306,234	303,949
Capital activities:		
Additions to property and equipment	(5,161,659)	(1,717,883)
Increase in deferred capital contributions	5,124,840	1,480,254
	(36,819)	(237,629)
Financing activity:		
Repayment of term loan	(71,572)	(54,078)
Increase in cash	2,197,843	12,242
Bank indebtedness, beginning of year	(973,609)	(985,851)
Cash (bank indebtedness), end of year	\$ 1,224,234	\$ (973,609)

See accompanying notes to financial statements.

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

Norfolk General Hospital (the "Hospital") is incorporated without share capital under the Corporations Act (Ontario) and provides health care and hospital services to residents of Norfolk County and the surrounding communities. The Hospital is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

Significant accounting policies are as follows:

(a) Revenue recognition:

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

The Hospital is funded primarily by the Province of Ontario in accordance with funding policies established by the Ministry of Health and Long-Term Care ("MOHLTC"). Any excess of revenues over expenses earned during a fiscal year may be retained by the Hospital. There is currently no commitment by the MOHLTC to fund deficits incurred by the Hospital. Therefore, to the extent that deficits are incurred and not funded, future operations may be affected. The MOHLTC provides operating funding including base funding which is expected to be received on an annual basis, and special funding, which is non-recurring in nature, and consequently is unconfirmed for future years.

The Hospital operates under a Hospital Service Accountability Agreement ("H-SAA") with the Hamilton Niagara Haldimand Brant Local Health Integration Network (the "LHIN"). On March 31, 2017, the H-SAA was amended, extending the term to March 31, 2018. This agreement sets out the rights and obligations of the two parties in respect of funding provided to the Hospital by the LHIN. The H-SAA sets out the funding provided to the Hospital together with performance standards and obligations of the Hospital that establish acceptable results for the organization's performance.

A portion of the Hospital's funding is based on anticipated volumes of certain types of activity. The LHIN may adjust funding after reconciling actual and anticipated volume levels. Given that the LHIN is not required to communicate funding adjustments until after the submission of year end data, the amount of revenue recognized in these financial statements represents management's best estimates of amounts earned during the year.

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(a) Revenue recognition (continued):

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 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 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 for the related capital assets.

Revenue from the Ontario Health Insurance Plan, preferred accommodation, and marketed services is recognized when the service is provided.

(b) Inventories:

Inventory is valued at the lower of cost or replacement value. Cost is determined using weighted average.

(c) Property and equipment:

Property and equipment are recorded at cost less accumulated amortization. Property and equipment are amortized on the straight-line basis over their estimated useful lives. Land and rental properties are not amortized and minor equipment is expensed. When an asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value.

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(c) Property and equipment (continued):

Property and equipment are amortized on a straight-line basis using the following annual rates:

Asset	Years
Land improvements	3 - 8
Buildings	10 - 40
Building service equipment	10 - 20
Equipment	3 - 15
Computer software	3 - 5

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. All financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to record any financial instruments at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. As the Hospital has no unrealized changes in fair value a statement of remeasurement gains and losses has not been included in these financial statements.

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.

The Hospital is required to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(d) Financial instruments (continued):

- 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.

(e) Employee future benefits:

(i) Post-employment health, dental, and life insurance:

The Hospital offers extended health, dental and life insurance benefits to certain employee groups upon early retirement. The cost of these retirement benefits are actuarially determined using the projected benefit method prorated on service and incorporates management's best estimate of health care costs, disability recovery rates and discount rates. The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2018 and the next required valuation will be as of March 31, 2021.

Actuarial gains (losses) on the liability for post-employment benefits arise from the difference between actual and expected experience and from changes in the actuarial assumptions used to determine the liability for post-employment benefits. The 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 post-employment health, dental, and life insurance plan is 13.8 years (2017 – 15 years).

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

(ii) Pension:

Eligible employees of the Hospital are members of the Healthcare of Ontario Pension Plan ("HOOPP"). This plan is a multi-employer defined benefit plan. As HOOPP's assets and liabilities are not segmented by participating employer, the Hospital accounts for contributions made to the plan as a defined contribution plan. Accordingly, contributions are included in employee benefits expense in the year the contributions are made.

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(f) Measurement uncertainty:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. In determining estimates of accrued liabilities and employee future benefits, the Hospital relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Actual results could differ from those estimates.

(g) Contributed services and materials:

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, as such, is not reflected in these financial statements. Contributed materials are also not recognized in these financial statements.

2. Inventories:

Inventory is comprised of:

	2018	2017
Supplies	\$ 192,087	\$ 172,086
Drugs	76,795	76,425
Food	25,756	24,106
	<u>\$ 294,638</u>	<u>\$ 272,617</u>

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

3. Due from (to) influenced organizations:

	2018	2017
Due from Norfolk Hospital Nursing Home	\$ 220,880	\$ 28,364
Due from Norfolk General Hospital Foundation	615,069	-
	835,949	28,364
Due to Norfolk General Hospital Foundation	-	(24,801)
	-	(24,801)
	\$ 835,949	\$ 3,563

The Norfolk Hospital Nursing Home purchases items such as meals, utilities, housekeeping and administrative services from the Hospital. The total of these purchased services for the year amounted to \$1,342,151 (2017 - \$1,309,007) and is included in recoveries and other revenue on the statement of operations. In addition, the Hospital makes all payments associated with the Norfolk Hospital Nursing Home's capital and operating costs excluding net payroll costs, and then recovers all of these payments from the Nursing Home.

The Norfolk General Hospital Foundation from time to time donates funds to the Hospital for the purchase of capital equipment and donor specified operating expenses. During the year there were donations totaling \$736,081 (2017 - \$584,464), of which \$730,707 is for capital (note 9) and \$5,374 for the current year operating expenses. The Norfolk General Hospital Foundation purchases administrative services from Norfolk General Hospital. The total of these purchased services for the year amounted to \$247,093 (2017 - \$239,631) and is included in recoveries and other revenue on the statement of operations.

4. Property and equipment:

	2018		2017	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 244,101	\$ -	\$ 244,101	\$ 244,101
Residential rental properties	219,923	-	219,923	219,923
Land improvements	532,000	285,095	246,905	250,858
Buildings	18,715,713	6,930,276	11,785,437	12,072,181
Building service equipment	6,404,137	1,679,508	4,724,629	1,035,791
Equipment	18,644,200	14,426,750	4,217,450	4,549,959
Computer software	261,342	237,422	23,920	61,440
Construction in progress	60,058	-	60,058	171,114
	\$ 45,081,474	\$23,559,051	\$ 21,522,423	\$ 18,605,367

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

5. Bank indebtedness:

The Hospital has a \$2,000,000 unsecured operating line of credit as at March 31, 2018 of which \$nil (2017 - \$973,609) was drawn. The line of credit bears interest at the prime rate minus 0.5%.

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$428,831 (2017 - \$454,935), which includes amounts payable for payroll related taxes.

7. Deferred revenue:

	2018	2017
Balance, beginning of year	\$ 145,362	\$ 151,348
Additions in the current year	7,400	7,000
Utilized in the current year	(11,484)	(12,986)
Balance, end of year	\$ 141,278	\$ 145,362

8. Term loan:

The Hospital has a \$674,350 (2017 - \$745,922) demand instalment loan with CIBC. The loan bears interest at Canadian prime rate minus 0.5%. CIBC bears the right to require immediate payment. Prior to such demand being made by CIBC, the loan is repayable by equal monthly blended payments of \$7,450 over an amortization period of 10 years commencing June 30, 2016.

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

9. Deferred capital contributions:

Deferred capital contributions related to buildings and equipment represent the unspent donations and grants received for the purchase of buildings and equipment, the unamortized portion of contributed buildings and equipment and the unamortized portion of restricted contributions with which buildings and equipment were originally purchased. The amortization of capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions balance for the period are as follows:

	2018	2017
Balance, beginning of year	\$ 15,610,467	\$ 15,508,973
Add capital contributions received in the year from:		
Norfolk General Hospital Foundation	730,707	571,895
Volunteer Association to NGH and NHH	64,795	87,500
Ministry of Health and Long-Term Care	4,329,338	820,859
	<u>20,735,307</u>	<u>16,989,227</u>
Less: amortization for the year	(1,600,287)	(1,378,760)
Balance, end of year	<u>\$ 19,135,020</u>	<u>\$ 15,610,467</u>

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

10. Employee future benefits:

The Hospital provides extended health, dental and life insurance benefits to certain employee groups upon early retirement. The Hospital recognizes these benefits as they are earned during the employee's tenure of service. The accrued benefit liability is determined by an independent actuary, the actuarial valuation was performed as at March 31, 2018.

The main actuarial assumptions employed for the valuations are as follows:

(i) Interest (discount rate):

The obligation as at March 31, 2018, of the present value of future liabilities was determined using a discount rate of 3.37% (2017 – 3.56%).

(ii) Medical costs:

Medical costs were assumed to increase at the rate of 6.0% (2017 – 6.5%) and decrease by 0.25% per year to an ultimate rate of 4.50% (2017 – 4.75%) per annum.

(iii) Dental costs:

Dental costs were assumed to increase at the rate of 2.75% (2017 – 3.75%) per year.

Included in employee benefits on the statement of operations is an amount of \$84,200 (2017 - \$82,200) regarding employee future benefits. The amount is comprised of:

	2018	2017
Contributed period benefit cost	\$ 33,600	\$ 31,400
Interest on accrued benefits	32,500	33,900
Amortization of actuarial losses	18,100	16,900
	<u>\$ 84,200</u>	<u>\$ 82,200</u>

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

10. Employee future benefits (continued):

Information about the accrued non-pension obligation and liability as at March 31, 2018, is as follows:

	2018	2017
Accrued benefit obligation:		
Balance, beginning of year	\$ 915,500	\$ 909,200
Current period benefit cost	33,600	31,400
Actuarial loss	174,000	17,400
Interest on accrued benefits	32,500	33,900
Benefits paid	(70,800)	(76,400)
Balance, end of year	1,084,800	915,500
Unamortized actuarial losses	(374,000)	(218,100)
Liability for benefits, end of year	\$ 710,800	\$ 697,400

11. Net assets invested in property and equipment:

(a) Net assets invested in property and equipment is calculated as follows:

	2018	2017
Property and equipment (note 4)	\$ 21,522,423	\$ 18,605,367
Amounts financed by deferred capital contributions (note 9)	(19,135,020)	(15,610,467)
	\$ 2,387,403	\$ 2,994,900

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

11. Net assets invested in property and equipment (continued):

(b) Change in net assets invested in property and equipment is calculated as follows:

	2018	2017
Excess of expenses over revenues:		
Amortization of deferred capital contributions	\$ 1,600,287	\$ 1,378,760
Amortization of property and equipment	(2,244,603)	(1,809,212)
	<u>\$ (644,316)</u>	<u>\$ (430,452)</u>
Net change in investment in property and equipment:		
Purchase of property and equipment	\$ 5,161,659	\$ 1,717,883
Amounts funded by deferred contributions from:		
Norfolk General Hospital Foundation	(730,707)	(571,895)
Volunteer Association	(64,795)	(87,500)
Ministry of Health and Long-Term Care	(4,329,338)	(820,859)
	<u>\$ 36,819</u>	<u>\$ 237,629</u>

12. Ministry funding:

Funding is comprised of:

	2018	2017
Local Health Integration Network	\$ 36,728,201	\$ 36,873,466
Ministry of Health and Long-Term Care	2,221,096	2,397,001
Cancer Care Ontario	1,264,744	1,454,425
	<u>\$ 40,214,041</u>	<u>\$ 40,724,892</u>

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

13. Other supplies and expenses:

Other supplies and expenses are comprised of:

	2018	2017
General and administration	\$ 2,217,820	\$ 2,181,166
Repairs and maintenance	\$ 1,974,081	\$ 2,007,083
Non-medical supplies	1,493,971	1,554,875
Utilities	958,331	1,105,165
Professional fees	563,296	426,707
	<hr/>	<hr/>
	\$ 7,207,499	\$ 7,274,996

14. Contingent liabilities:

The nature of the Hospital's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2018, management believes the Hospital has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

15. Norfolk General Hospital Foundation:

The Norfolk General Hospital Foundation (the "Foundation") is incorporated under the laws of Ontario and is a registered charity under the Income Tax Act. Its principal activity is to raise and accumulate funds for donation to the Hospital. The net assets and results from operations of the Foundation are not included in the statements of the Hospital. Separate financial statements of the Foundation are available upon request.

The Hospital has designated the Foundation to receive bequests and donations on its behalf. At March 31, 2018, the Foundation had an unrestricted net asset position of \$2,629,748 (2017 - \$1,631,705), a restricted net asset position of \$437,644 (2017 - \$263,989) and externally restricted endowment funds totaling \$422,875 (2017 - \$421,968).

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

16. Pension benefits:

Substantially all of the employees of the Hospital are eligible to be members of the Hospitals of Ontario Pension Plan ("HOOPP") which is a multi-employer average pay contributory pension plan. Employer contributions made to the plan during the year amounted to \$2,095,613 (2017 - \$2,079,071). These amounts are included in staff benefits expense on the statement of operations.

There are no material past service costs. The most recent HOOPP actuarial valuation of the Plan as of December 31, 2017 indicated the Plan has a 22% surplus in disclosed actuarial assets.

17. Financial risks:

(a) Credit risk:

Credit risk is the risk of financial loss to the Hospital if a patient or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Hospital consisting of cash and accounts receivable.

The maximum exposure to credit risk of the Hospital at March 31, 2018 is the carrying value of these assets.

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 statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts at March 31, 2018 is \$42,000 (2017 - \$42,000).

There have been no significant changes to the credit risk exposure from 2017.

(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.

There have been no significant changes to the liquidity risk exposure from 2017.

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2018

17. Financial risks (continued):

(c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. Financial assets and financial liabilities with variable interest rates expose the Hospital to cash flow interest rate risk. The Hospital is exposed to interest rate risk through the operating line of credit and the term loan.

There have been no significant changes to the liquidity risk exposure from 2017.

18. Haldimand-Norfolk Diabetes Program:

The Haldimand-Norfolk Diabetes Program received funding from the MOHLTC of \$591,393 (2017 - \$591,393) and incurred expenses of \$606,282 (2017 - \$599,588).

	2018	2017
MOHLTC revenue	\$ 591,393	\$ 591,393
Salaries	436,711	427,912
Benefits	135,847	135,812
Other	33,724	35,864
	606,282	599,588
Deficit	\$ (14,889)	\$ (8,195)

19. Comparative figures:

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.