

Financial Statements of

**NORFOLK GENERAL
HOSPITAL**

Year ended March 31, 2015

NORFOLK GENERAL HOSPITAL

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Management's Responsibility for Financial Reporting

The financial statements of Norfolk General Hospital have been prepared in accordance with Canadian public sector accounting standards. 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

Tom White, Finance Committee Chair



KPMG LLP
Box 976
21 King Street West Suite 700
Hamilton ON L8N 3R1

Telephone (905) 523-8200
Telefax (905) 523-2222
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of Norfolk General Hospital

We have audited the accompanying financial statements of Norfolk General Hospital which comprise the statement of financial position as at March 31, 2015, 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 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, 2015, and the results of its operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative Information

The financial statements of Norfolk General Hospital as at and for the year ended March 31, 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 5, 2014.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 3, 2015

Hamilton, Canada

NORFOLK GENERAL HOSPITAL

Statement of Financial Position

March 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Accounts receivable	\$ 1,612,904	\$ 1,030,927
Harmonized sales tax recoverable	229,269	220,720
Inventories (note 2)	279,952	284,687
Prepaid expenses	456,764	162,759
Due from influenced organizations (note 3)	98,782	126,972
	2,677,671	1,826,065
Property and equipment (note 4)	19,443,395	19,318,174
Long-term receivable	135,772	135,772
	\$ 22,256,838	\$ 21,280,011

Liabilities and Net Assets

Current liabilities:		
Bank indebtedness (note 5)	\$ 1,071,219	\$ 1,445,204
Accounts payable and accrued liabilities	2,601,737	2,765,169
Accrued payroll and vacation pay	2,159,688	2,043,482
Deferred revenue (note 6)	171,821	136,709
	6,004,465	6,390,564
Term loan (note 7)	800,000	-
Deferred capital contributions (note 8)	16,230,711	16,102,146
Employee future benefits (note 9)	687,100	484,000
	17,717,811	16,586,146
	23,722,276	22,976,710
Net assets:		
Invested in property and equipment (note 10)	3,212,684	3,216,028
Unrestricted	(4,678,122)	(4,912,727)
	(1,465,438)	(1,696,699)
Contingencies (note 12)		
	\$ 22,256,838	\$ 21,280,011

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

NORFOLK GENERAL HOSPITAL

Statement of Operations

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Operating revenues:		
Ontario Ministry of Health and Long-Term Care	\$ 37,490,992	\$ 37,489,189
OHIP and patient services revenue	5,670,476	5,256,197
Differential and co-payment revenue	426,090	404,413
Recoveries and other revenue	3,578,145	2,641,740
Amortization of deferred capital contributions	710,443	713,541
	47,876,146	46,505,080
Operating expenses:		
Salaries and wages	23,465,861	22,890,071
Employee benefits	6,822,051	6,688,594
Medical staff remuneration	6,652,006	6,170,733
Medical and surgical supplies	1,885,588	1,853,935
Drugs	825,551	871,815
Other supplies and expenses (note 11)	6,667,416	6,545,135
Amortization of operating equipment	1,229,265	1,177,757
	47,547,738	46,198,040
Excess of operating revenues over expenses before the undernoted	328,408	307,040
Other revenue (expense):		
Amortization of deferred capital contributions relating to buildings	561,799	562,130
Amortization of buildings	(661,125)	(679,470)
	(99,326)	(117,340)
Other votes and programs revenue (expense):		
Revenue	1,119,064	1,112,397
Expenses excluding amortization of equipment	(1,106,886)	(1,107,476)
Amortization of equipment	(9,999)	(9,999)
	2,179	(5,078)
Excess of revenues over expenses	\$ 231,261	\$ 184,622

See accompanying notes to financial statements.

NORFOLK GENERAL HOSPITAL

Statement of Changes in Net Assets

Year ended March 31, 2015, with comparative information for 2014

March 31, 2015	Invested in capital assets	Unrestricted	Total
Balance, beginning of year	\$ 3,216,028	\$ (4,912,727)	\$ (1,696,699)
Excess of revenues over expenses (expenses over revenues) (note 10(b))	(628,147)	859,408	231,261
Net change in investment in capital assets (note 10(b))	624,803	(624,803)	-
Balance, end of year	\$ 3,212,684	\$ (4,678,122)	\$ (1,465,438)

March 31, 2014	Invested in capital assets	Unrestricted	Total
Balance, beginning of year	\$ 3,502,634	\$ (5,383,955)	\$ (1,881,321)
Excess of revenues over expenses (expenses over revenues) (note 10(b))	(591,555)	776,177	184,622
Net change in investment in capital assets (note 10(b))	304,949	(304,949)	-
Balance, end of year	\$ 3,216,028	\$ (4,912,727)	\$ (1,696,699)

See accompanying notes to financial statements.

NORFOLK GENERAL HOSPITAL

Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 231,261	\$ 184,622
Items not involving cash:		
Increase in employee future benefits	203,100	18,900
Amortization of property and equipment	1,900,389	1,867,226
Amortization of deferred capital contributions	(1,272,242)	(1,275,671)
	1,062,508	795,077
Change in non-cash operating working capital balances:		
Accounts receivable	(581,977)	(343,017)
Harmonized sales tax recoverable	(8,549)	(43,057)
Inventories	4,735	9,874
Prepaid expenses	(294,005)	(8,249)
Due from influenced organizations	28,190	(26,187)
Accounts payable and accrued liabilities	(163,432)	304,603
Accrued payroll and vacation pay	116,206	(233,661)
Deferred revenue	35,112	(110,980)
	(863,720)	(450,674)
Cash flow from operating activities	198,788	344,403
Capital activities:		
Additions to property and equipment	(2,025,610)	(1,050,179)
Increase to deferred capital contributions	1,400,807	745,231
	(624,803)	(304,948)
Financing activities:		
Increase in term loan	800,000	-
Increase in cash	373,985	39,455
Bank indebtedness, beginning of year	(1,445,204)	(1,484,659)
Bank indebtedness, end of year	\$ (1,071,219)	\$ (1,445,204)

See accompanying notes to financial statements.

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2015

Norfolk General Hospital (the "Hospital") is incorporated without share capital under the laws of Ontario. The Hospital 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, provided certain requirements are met.

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.

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care (the "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. These financial statements reflect agreed arrangements approved by the MOHLTC with respect to the year ended March 31, 2015.

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 incurred. Contributions restricted for the purchase of property and equipment are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related property and equipment.

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.

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(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.

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

Asset	Years
Land improvements	3 - 8
Buildings	6 - 40
Building service equipment	10 - 20
Equipment	5 - 10
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.

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(d) Financial instruments (continued):

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 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.

(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, 2015 and the next required valuation will be as of March 31, 2018.

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 12.9 years (2014 - 11.7 years).

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

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(e) Employee future benefits (continued):

(ii) Pension:

Eligible employees of the Hospital are members of the Healthcare of Ontario Pension Plan ("H.O.O.P.P."). 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.

(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, 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.

(h) New accounting standards:

The Public Sector Accounting Board's accounting standard on Liability for Contaminated Sites, Section PS3260, became effective for entities with fiscal year's beginning on or after April 1, 2014. The adoption of the new standard had no impact on the financial statements.

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2015

2. Inventories:

Inventory is comprised of:

	2015		2014
Supplies	\$ 192,929	\$	186,131
Drugs	65,561		67,516
Food	21,462		31,040
	\$ 279,952	\$	284,687

3. Due from influenced organizations:

	2015		2014
Due from Norfolk Hospital Nursing Home	\$ 91,302	\$	111,739
Due from Norfolk General Hospital Foundation	7,480		15,233
	\$ 98,782	\$	126,972

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 \$1,320,781 (2014 - \$1,182,816) 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 \$984,976 (2014 - \$472,196). The Norfolk General Hospital Foundation purchases administrative services from Norfolk General Hospital. The total of these purchased services for the year amounted to \$221,042 (2014 - \$237,178) and is included in recoveries and other revenue on the statement of operations.

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2015

4. Property and equipment:

			2015	2014
	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	501,142	266,997	234,145	254,332
Buildings	18,365,915	5,290,653	13,075,262	13,391,368
Building service equipment	1,476,034	1,008,227	467,807	390,215
Equipment	15,817,869	10,980,911	4,836,958	4,693,652
Computer software	148,782	148,534	248	-
Construction in progress	364,951	-	364,951	124,583
	\$37,138,717	\$17,695,322	\$19,443,395	\$19,318,174

5. Bank indebtedness:

The Hospital has a \$2,200,000 unsecured operating line of credit. The line of credit bears interest at the prime rate minus 0.5%.

6. Deferred revenue:

	2015	2014
Balance, beginning of year	\$ 136,709	\$ 247,689
Local Health Integration Network (LHIN)	38,900	38,900
Rapid Assessment Zone	-	48,892
Other	106,630	1,391
Health Link Funding	26,291	-
Utilized in current year	(136,709)	(200,163)
Balance, end of year	\$ 171,821	\$ 136,709

7. Term loan:

The Hospital has an \$800,000 term loan with a commitment period that will expire on April 30, 2016 at which time full repayment is due. The term loan bears interest at the prime rate minus 0.5%.

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2015

8. Deferred capital contributions:

Deferred capital contributions related to property 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 capital contributions balance for the period are as follows:

	2015	2014
Balance, beginning of year	\$ 16,102,146	\$ 16,632,587
Capital contributions received in the year from:		
Norfolk General Hospital Foundation	928,395	463,283
Volunteer Association	93,500	80,000
MOHLTC	350,477	201,947
Other	28,435	-
	<u>17,502,953</u>	<u>17,377,817</u>
Less: amortization for the year	(1,272,242)	(1,275,671)
Balance, end of year	<u>\$ 16,230,711</u>	<u>\$ 16,102,146</u>

9. 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, 2015 and includes the value of the liability.

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

(i) Interest (discount rate):

The obligation as at March 31, 2015, of the present value of future liabilities was determined using a discount rate of 3.31% (2014 - 4.36%).

(ii) Medical costs:

Medical costs were assumed to increase at the rate of 6.5% and decrease by 0.25% per year to an ultimate rate of 4.75% in 2018 and thereafter

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2015

9. Employee future benefits (continued):

(iii) Dental costs:

Dental costs were assumed to increase at the rate of 3.75% per year.

Included in employee benefits on the statement of operations is an amount of \$233,000 (2014 - \$43,800) regarding employee future benefits. The amount is comprised of:

	2015	2014
Contributed period benefit cost	\$ 15,100	\$ 15,400
Interest on accrued benefits	23,600	22,000
Amortization of actuarial losses	4,600	6,400
Prior service cost	189,700	-
	\$ 233,000	\$ 43,800

Information about the accrued non-pension obligation and liability as at March 31, 2015, is as follows:

	2015	2014
Accrual benefit obligation		
Balance, beginning of year	\$ 541,100	\$ 554,400
Current benefit cost	204,800	15,400
Actuarial loss (gain)	224,800	(25,800)
Interest	23,600	22,000
Benefits paid	(29,900)	(24,900)
Balance, end of year	964,400	541,100
Unamortized actuarial losses	(277,300)	(57,100)
Liability for benefits, end of year	\$ 687,100	\$ 484,000

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2015

10. Net assets invested in property and equipment:

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

	2015	2014
Property and equipment (note 4)	\$ 19,443,395	\$ 19,318,174
Amounts financed by deferred capital contributions (note 8)	(16,230,711)	(16,102,146)
	\$ 3,212,684	\$ 3,216,028

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

	2015	2014
Excess of expenses over revenues:		
Amortization of deferred capital contributions	\$ 1,272,242	\$ 1,275,671
Amortization of property and equipment	(1,900,389)	(1,867,226)
	\$ (628,147)	\$ (591,555)
Net change in investment in property and equipment:		
Purchase of property and equipment	\$ 2,025,610	\$ 1,050,179
Amounts funded by deferred contributions from:		
Norfolk General Hospital Foundation	(928,395)	(463,283)
Volunteer Association	(93,500)	(80,000)
MOHLTC	(350,477)	(201,947)
Other	(28,435)	-
	\$ 624,803	\$ 304,949

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2015

11. Other supplies and expenses:

Other supplies and expenses are comprised of:

	2015	2014
Repairs and maintenance	\$ 2,585,163	\$ 2,490,218
Small equipment	102,754	135,608
Non-medical supplies	1,806,764	1,712,733
Utilities	933,315	1,025,181
General and administration	518,251	520,297
Professional fees	420,734	392,160
Insurance	300,435	268,938
	\$ 6,667,416	\$ 6,545,135

12. Contingencies:

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, 2015, management believes the Hospital has valid defences 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.

13. 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 financial statements of the Hospital. Separate financial statements of the Foundation are available upon request.

The Hospital has designated Norfolk General Hospital Foundation to receive bequests and donations on its behalf. At March 31, 2015, the Norfolk General Hospital Foundation had an unrestricted net asset position of \$696,027 (2014 - \$604,759), a restricted net asset position of \$225,444 (2014 - \$200,495) and externally restricted endowment funds totaling \$421,068 (2014 - \$422,132).

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2015

14. Pension benefits:

Substantially all of the employees of the Hospital are eligible to be members of the Healthcare of Ontario Pension Plan (H.O.O.P.P.) which is a multi-employer average pay contributory pension plan. Employer contributions made to the plan during the year amounted to \$2,015,612 (2014 - \$1,984,152). These amounts are included in employee benefits expense on the statement of operations.

There are no material past service costs. The most recent H.O.O.P.P. actuarial valuation of the Plan as of December 31, 2014 indicated the Plan has a 15% surplus in disclosed actuarial assets.

15. 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 accounts receivable, cash and short-term investments.

The maximum exposure to credit risk of the Hospital at March 31, 2015 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, 2015 is \$26,000 (2014 - \$67,120).

There have been no significant changes to the credit risk exposure from 2014.

(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 2014.

NORFOLK GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2015

15. 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 2014.

16. Haldimand-Norfolk Diabetes Program:

The Haldimand-Norfolk Diabetes Program received funding from the MOHLTC of \$591,393 (2014 - \$595,316) and incurred expenses of \$576,616 (2014 - \$582,982). The resulting surplus of \$14,477 (2014 - \$12,334) is owed to the MOHLTC.

	2015	2014
MOHLTC revenue	\$ 591,393	\$ 595,316
Salaries	403,626	412,290
Benefits	128,533	123,001
Other	44,457	47,691
	576,616	582,982
Surplus	\$ 14,777	\$ 12,334

17. Comparative figures:

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