

Financial Statements of

**THE RELIGIOUS  
HOSPITALLERS OF ST.  
JOSEPH OF THE HOTEL  
DIEU OF ST. CATHARINES**

Year ended March 31, 2017



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## **INDEPENDENT AUDITORS' REPORT**

To The Religious Hospitallers of St. Joseph of the Hotel Dieu of St. Catharines

We have audited the accompanying financial statements of The Religious Hospitallers of St. Joseph of the Hotel Dieu of St. Catharines, which comprise the statement of financial position as at March 31, 2017 and the statements of operations, changes in net assets, and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's 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 the auditor's 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, the auditor considers 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 The Religious Hospitallers of St. Joseph of the Hotel Dieu of St. Catharines, as at March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

June 7, 2017

Hamilton, Canada

# THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

## Statement of Financial Position

March 31, 2017, with comparative figures for 2016



	2017	2016
<b>Assets</b>		
Current assets:		
Cash	\$ 354,185	\$ 1,659,827
Accounts receivable (note 3)	372,111	348,449
Short-term investments (note 4)	3,662,492	2,763,416
Inventory	86,268	114,422
Prepaid expenses and deposits	194,695	208,789
	4,669,751	5,094,903
Long-term investments (note 4)	6,735,257	6,210,561
Capital assets (note 5)	9,059,447	9,426,529
	\$ 20,464,455	\$ 20,731,993

## Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,101,579	\$ 1,218,189
Accrued salaries, wages and benefits	4,818,507	4,560,498
Employee future benefits (note 6)	170,000	169,900
	6,090,086	5,948,587
Employee future benefits (note 6)	2,008,000	1,964,500
Deferred contributions (note 7):		
Expenses of future periods	2,298,589	2,194,123
Capital assets	12,464,765	12,189,575
	14,763,354	14,383,698
Net assets (deficiency):		
Invested in capital assets (note 8 (a))	2,788,692	3,050,470
Unrestricted	(5,185,677)	(4,615,262)
	(2,396,985)	(1,564,792)
Contingencies (note 10)		
	\$ 20,464,455	\$ 20,731,993

See accompanying notes to financial statements.

On behalf of the Corporation:

  
\_\_\_\_\_  
  
\_\_\_\_\_

President of the Corporation

Chairperson of the Trustees

# THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

## Statement of Operations

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

	2017	2016
Revenues:		
Local Health Integration Network - base allocation	\$ 24,659,259	\$ 24,336,711
Local Health Integration Network - one time payments	2,883,239	2,790,989
Paymaster	227,604	227,604
MoHLTC - one time payments	51,677	65,516
	27,821,779	27,420,820
Recoveries, sales and other revenue	2,839,436	2,816,457
Amortization of deferred contributions related to equipment	580,014	463,343
Other patient revenue and other programs	568,294	415,524
Differential & co-payment revenue	352,620	367,881
	32,162,143	31,484,025
Expenses:		
Salaries	20,685,207	20,868,476
Employee benefits	5,948,515	5,797,541
Supplies and other expenses	4,428,782	3,994,237
Medical staff remuneration	556,876	563,079
Drugs	489,896	554,537
Equipment amortization	447,336	402,829
Medical & surgical supplies	192,618	195,254
Rental/lease of equipment	54,716	55,782
Bad debts	10,380	194
	32,814,326	32,431,929
Deficiency of revenues over expenses before the undernoted	(652,183)	(947,904)
Other revenues (expenses):		
Amortization of building	(667,559)	(731,880)
Amortization of deferred contributions related to building	487,549	463,172
	(180,010)	(268,708)
Deficiency of revenues over expenses	\$ (832,193)	\$ (1,216,612)

See accompanying notes to financial statements.

# THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

## Statement of Changes in Net Assets

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

	Investment in capital assets	Unrestricted	Total 2017	Total 2016
Balance, beginning of year	\$ 3,050,470	\$ (4,615,262)	\$ (1,564,792)	\$ (348,180)
Deficiency of revenues over expenses (note 8 (b))	(47,332)	(784,861)	(832,193)	(1,216,612)
Net change in capital assets (note 8 (b))	(214,446)	214,446	-	-
Balance, end of year	\$ 2,788,692	\$ (5,185,677)	\$ (2,396,985)	\$ (1,564,792)

See accompanying notes to financial statements.

# THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

## Statement of Cash Flows

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

	2017	2016
Cash provided by (used in):		
Operations:		
Deficiency of revenues over expenses	\$ (832,193)	\$ (1,216,612)
Items not involving cash:		
Amortization of capital assets	1,114,895	1,134,709
Amortization of deferred contributions related to capital assets	(1,067,563)	(926,515)
Recognized deferred contributions related to expenses of future periods	(40,182)	(45,019)
Employee future benefits	43,600	44,900
	(781,443)	(1,008,537)
Changes in non-cash operating working capital:		
(Increase) decrease in accounts receivable	(23,662)	614,673
Decrease (increase) in inventory	28,154	(42,043)
Decrease (increase) in prepaid expenses and deposits	14,094	(12,089)
Decrease in accounts payable and accrued liabilities	(116,610)	(390,524)
Increase in accrued salaries, wages and benefits	258,009	95,934
	159,985	265,951
Financing:		
Contributions received related to expenses of future periods	446	2,817
Contributions received related to capital assets	962,259	1,392,759
	962,705	1,395,576
Investments:		
Purchase of capital assets	(747,813)	(1,172,382)
(Purchases) redemptions of investments	(899,076)	1,830,438
	(1,646,889)	658,056
(Decrease) increase in cash position	(1,305,642)	1,311,046
Cash position, beginning of year	1,659,827	348,781
Cash position, end of year	\$ 354,185	\$ 1,659,827

See accompanying notes to financial statements.

# THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Notes to Financial Statements

Year ended March 31, 2017

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The Religious Hospitallers of St. Joseph of the Hotel Dieu of St. Catharines ("HDH") assumed governance and ownership of the Shaver/Rehab Site of the Niagara Health System ("NHS") on August 8, 2005 and is operating under the business name of Hotel Dieu Shaver Health and Rehabilitation Centre ("HDS").

The Religious Hospitallers of St. Joseph of the Hotel Dieu of St. Catharines operates under the canonical sponsorship of Catholic Health International. Capital assets disclosed in the statement of financial position includes land, buildings and building service equipment, some of which was contributed by the Religious Hospitallers of St. Joseph.

## **1. Basis of presentation:**

On November 3, 2004, HDH and NHS signed an agreement (the "November Agreement") to implement a new hospital delivery system in St. Catharines. This agreement required the transfer of ownership, governance, management and operation of the Ontario Street Site from HDH to NHS and the transfer of ownership, governance, management and operation of the Shaver/Niagara Rehabilitation Centre site from NHS to HDH. Based upon this initial agreement a transfer agreement dated August 8, 2005 was entered into by the parties and Ministry of Health and Long-term Care ("MoHLTC"). As a result, certain of the assets and liabilities of the HDH as at August 8, 2005 were transferred to NHS and certain assets and liabilities of the Shaver Rehabilitation Site of the NHS were transferred to HDH.

## **2. 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.

### **(a) Revenue recognition:**

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

HDS is funded primarily by the Province of Ontario in accordance with funding policies established by the MoHLTC. Any excess of revenues over expenses earned during a fiscal year may be retained by HDS. There is currently no commitment by the MoHLTC to fund deficits incurred by HDS. 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 RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 2. Significant accounting policies (continued):

### (a) Revenue recognition (continued):

HDS operates under a Hospital Service Accountability Agreement ("H-SAA") with the Hamilton Niagara Haldimand Brant Local Health Integration Network (the "LHIN"). The H-SAA has been amended a number of times to extend the term, most recently on April 1, 2017 to extend to March 31, 2018. This agreement sets out the rights and obligations of the two parties in respect of funding provided to HDS by the LHIN. The H-SAA sets out the funding provided to HDS together with performance standards and obligations of HDS that establish acceptable results for the organization's performance.

If HDS does not meet certain performance standards or obligations, the LHIN has the right to adjust some funding streams received by HDS. 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.

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.

### (b) Financial instruments:

Financial instruments are initially recorded on the statement of financial position at fair value. All other financial instruments are subsequently recorded at cost or amortized cost. Management has elected to record assets at fair value as they are managed and evaluated on a fair value basis.

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.

# THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 2. Significant accounting policies (continued):

### (b) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, HDS determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount HDS expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

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.

All of the HDS's long-term investments and a portion of the short-term investments are externally restricted and therefore all realized and unrealized gains and/or losses are recognized as direct increases/decreases to deferred contributions with no impact to the statement of changes in net assets or the statement of operations. Income earned from all investments is restricted for future spending on capital initiatives.

### (c) Investments:

Investments are recorded at fair value.

### (d) Inventories:

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

# THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Notes to Financial Statements (continued)

Year ended March 31, 2017

## 2. Significant accounting policies (continued):

### (e) Capital assets:

Capital assets are recorded at their original cost and amortized, when put into use, over their estimated life. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to HDS's ability to provide services, its carrying amount is written down to its residual value.

Amortization is calculated as follows:

Asset	Basis	Rate
Buildings and building service equipment	Straight line	2% - 5%
Other equipment	Straight line	6.7% - 20%

### (f) Employee future benefits:

HDS provides post-retirement benefits including health, dental and life insurance premiums. HDS uses the deferral and amortization approach to account for its defined benefit plans. The cost of post-retirement benefits related to employees' current service is charged to income annually. The cost of benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation, retirement age and expected health care and dental costs and other actuarial factors. The most recent actuarial valuation of the benefit plans for funding purposes was as of April 1, 2014, and the next required valuation will be effective April 1, 2017.

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

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the post-retirement benefits plan is 12 years (2016 - 12 years).

# THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 2. Significant accounting policies (continued):

(g) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(h) Use of estimates:

The preparation of the HDS's financial statements in accordance with public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the statement of financial position date and the reported amounts of revenues and expenses during the year. The inherent uncertainty involved in making such estimates may impact the actual results reported in future periods.

## 3. Accounts receivable:

	2017	2016
Patient	\$ 313,642	\$ 247,186
Allowance for doubtful accounts	(40,590)	(37,000)
Other	99,059	138,263
	<u>\$ 372,111</u>	<u>\$ 348,449</u>

# THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Notes to Financial Statements (continued)

Year ended March 31, 2017

## 4. Investments:

Long-term investments consist of the following:

	2017	2017	2016	2016
	Market	Cost	Market	Cost
SuperBuild Funding	\$ 4,867,412	\$ 4,805,391	\$ 4,486,918	\$ 4,495,147
Ansell Fund	1,537,966	1,429,119	1,443,277	1,374,239
Other investments	329,879	308,679	280,366	297,963
	\$ 6,735,257	\$ 6,543,189	\$ 6,210,561	\$ 6,167,349

The investments consist of cash, guaranteed investment certificates (GIC's), bonds, equities, and units of Canadian and international equity mutual funds. The fair values of investments have been determined based on quoted values at the close of business on March 31, 2017.

Long-term investments in cash, GIC's and equities are classified as level 1 and have a value of \$3,634,156 at March 31, 2017 (2016 - \$4,741,995). Long-term investments in bonds and funds are classified as level 2 and have a value of \$3,101,101 at March 31, 2017 (2016- \$1,468,566).

The Bonds have interest rates of 0.00% to 5.80% and mature between May 2018 and May 2021. The GIC's have an interest rate of 2.03 to 2.53% and mature between June 2017 and March 2021.

All of the long-term investments and a portion of the short-term investments and any interest earned are restricted funds. In accordance with the financial instruments significant accounting policy as described in note 2, the investments are recorded at fair value with changes in fair value recognized as increases/decreases in deferred contributions.

Short-term investments consist of cash and GIC's that have interest rates between 1.05% to 1.52% and mature in September 2017.

# THE RELIGIOUS HOSPITALERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Notes to Financial Statements (continued)

Year ended March 31, 2017

## 5. Capital assets:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 8,191	\$ -	\$ 8,191	\$ 8,191
Land improvements	55,423	-	55,423	55,423
Buildings and building service equipment	26,955,558	20,082,539	6,873,019	7,028,189
Other equipment	11,380,312	9,487,893	1,892,419	2,104,331
Construction in progress	230,395	-	230,395	230,395
	\$ 38,629,879	\$ 29,570,432	\$ 9,059,447	\$ 9,426,529

The construction in progress relates to the development of new rehabilitation beds.

## 6. Employee future benefits:

The accrued benefit obligation relating to post-retirement benefit plans at March 31, 2017 is \$2,259,900 (2016 - \$2,284,200).

The accrued benefit liability recorded in the financial statements is \$2,178,000 (2016 - \$2,134,400).

Measurement and valuation:

A full actuarial valuation of the post-retirement benefit plans for funding purposes was performed as of April 1, 2014. The next valuation will be completed with an effective date of April 1, 2017.

The significant actuarial assumptions adopted in measuring the accrued benefit obligation are as follows:

	2017	2016
Discount rate	3.20%	3.00%
Extended health care premium increases (decreasing at 0.25% per year to an ultimate rate of 4.75%)	6.50%	6.50%
Dental premium increases	3.75%	3.75%

# THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## **6. Employee future benefits (continued):**

Employee future benefit expense for the year ended March 31, 2017 is \$43,600 (2016 - \$44,900). Benefits paid during the year were \$170,000 (2016 - \$169,900).

Substantially all of the full time employees of HDS are members of the Hospitals of Ontario Pension Plan, which is a multi-employer, final average, contributory pension plan. Costs of this plan are expensed as incurred. Contributions to the plan made during the year by HDS on behalf of employees amounted to \$1,675,361 (2016 - \$1,664,420).

# THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Notes to Financial Statements (continued)

Year ended March 31, 2017

## 7. Deferred contributions:

### (a) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations for research, future projects and other purposes.

	2017	2016
Balance, beginning of year	\$ 2,194,123	\$ 2,276,447
Less amount recognized as revenue in the year	(40,182)	(45,019)
Add amount received related to future periods:		
Contributions received	446	2,817
Investment income (loss)	144,202	(40,122)
Balance, end of year	\$ 2,298,589	\$ 2,194,123

### (b) Capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. Unspent deferred capital contributions related to capital assets total \$6,194,010 (2016 - \$5,813,516). The amortization of capital contributions is recorded as revenue in the statement of operations.

	2017	2016
Balance, beginning of year	\$ 12,189,575	\$ 11,636,581
Additional contributions received	962,259	1,392,759
Investment income	380,494	86,750
Less amounts amortized to revenue	(1,067,563)	(926,515)
Balance, end of year	\$ 12,464,765	\$ 12,189,575



# THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Notes to Financial Statements (continued)

Year ended March 31, 2017

## 8. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2017	2016
Capital assets	\$ 9,059,447	\$ 9,426,529
Amounts funded by deferred contributions	(6,270,755)	(6,376,059)
	\$ 2,788,692	\$ 3,050,470

(b) Change in net assets invested in capital assets is as follows:

	2017	2016
Deficiency of revenues over expenses:		
Amortization of deferred contributions		
related to capital assets	\$ 1,067,563	\$ 926,515
Amortization of capital assets	(1,114,895)	(1,134,709)
	\$ (47,332)	\$ (208,194)
Net change in investment in capital assets:		
Net purchases	\$ 747,813	\$ 1,172,382
Amounts funded by deferred contributions	(962,259)	(1,392,759)
	\$ (214,446)	\$ (220,377)

# THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 9. Related entities:

Hotel Dieu Shaver Auxiliary (the "Auxiliary") and Hotel Dieu Shaver Health and Rehabilitation Foundation (the "Foundation") are related entities without share capital incorporated under the laws of Ontario. The Auxiliary and the Foundation are independent but exist to support HDS through volunteer groups involved in fund-raising through ancillary operations.

During the year, the Auxiliary provided donations totaling \$88,019 (2016 - \$50,000). Also during the year, the Foundation provided donations totaling \$514,309 (2016 - \$816,694). These donations are included in deferred contributions related to capital assets (note 7 (b)).

As HDS does not control the Auxiliary or the Foundation, their results are not included in these financial statements.

## 10. Contingencies:

- (a) These financial statements include amounts for accrued costs, primarily employee and insurance costs related to the transfer of operations (note 1). The ultimate responsibility to fund these accrued costs is under negotiation. The amounts accrued represent management's best estimate of the obligation of HDS related to the transfer and these amounts are included in accounts payable and accrued liabilities.
- (b) HDS is currently in negotiations with labour groups over pay equity reviews ("pay equity plans"). HDS has entered into an agreement with the Ontario Hospital Association ("OHA") whereby OHA is authorized to act on HDS's behalf in all respects in the pay equity plan with OPSEU. This agreement stipulates that the settlement of a centrally negotiated pay equity plan will be legally binding subject to appeal by participating hospitals. The pay equity plan will be effective and retroactive to April 1, 2002.

On June 10, 2007, the participating Hospitals entered into a Terms of Reference agreement with OPSEU for the preparation of an amended pay equity plan.

HDS, in conjunction with other participating hospitals, is also engaged in pay equity plan negotiations with SEIU.

On January 7, 2011, HDS received correspondence from Ontario Nurses' Association requesting to enter into negotiations concerning the maintenance of the pay equity plan.

These financial statements include accrued amounts which represent management's best estimate of the obligation of HDS for all pay equity plans from the date of transfer of operations on August 8, 2005 to March 31, 2017.

# THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF THE HOTEL DIEU OF ST. CATHARINES

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 11. Financial risks:

### (a) Credit risk:

Credit risk is the risk of financial loss to HDS 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 HDS consisting of accounts receivable, cash and investments. The maximum exposure to credit risk of HDS at March 31, 2017 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, 2017 is \$40,590 (2016 - \$37,000).

### (b) Liquidity risk:

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

### (c) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose HDS to cash flow interest rate risk. HDS is exposed to interest rate risk through its interest bearing investments including bonds.