

NORTH OF SUPERIOR HEALTHCARE GROUP
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of North of Superior Healthcare Group

Report on the financial statements

We have audited the accompanying statements of **North of Superior Healthcare Group**, which comprise of the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibilities 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 as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 controls 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, these financial statements present fairly, in all material respects, the financial position of **North of Superior Healthcare Group** as at March 31, 2018, the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants
Licensed Public Accountants
Sault Ste. Marie, Canada
June 27, 2018

North of Superior Healthcare Group

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2018 2017

ASSETS

Current

Cash - Restricted	\$ 112,007	\$ 55,310
Accounts receivable [note 3]	564,904	475,099
Inventory of supplies [note 4]	182,983	149,865
Prepaid expenses	199,048	161,021
	1,058,942	841,295

Recoverable employee benefits	189,329	116,376
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Capital assets [note 6]

Land, buildings and equipment	39,279,989	38,572,478
Less accumulated amortization	23,855,993	22,754,939
	15,423,996	15,817,539

\$ 16,672,267	\$ 16,775,210
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LIABILITIES

Current

Unrestricted cash overdraft [note 2]	\$ 102,372	\$ 229,893
Accounts payable and accrued liabilities [note 7]	1,690,761	1,351,326
Deferred operating contributions	449,689	232,077
Current portion of long term debt [note 9]	96,030	92,548
	2,338,852	1,905,844

Long term debt [note 9]	1,947,022	2,043,053
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Deferred contributions related to capital assets [note 10]	12,419,041	12,671,671
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Employee future benefits [note 14]	569,700	531,600
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NET ASSETS

Investment in capital assets [note 8]	961,903	1,010,267
Unrestricted	(1,564,251)	(1,387,225)
	(602,348)	(376,958)

\$ 16,672,267	\$ 16,775,210
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Contingencies & Commitments [notes 13 & 15]

Approved on behalf of the Board

Director

Director

North of Superior Healthcare Group
STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31,	2018	2017
REVENUE		
Ministry of Health and Long-Term Care		
Current base allocation	\$11,365,374	\$11,140,214
One time funding	563,869	-
HOCC funding	322,968	312,460
Cancer Care Ontario	54,261	34,320
Long Term Care Revenue [note 17]	1,638,673	1,583,737
Other programs - MOHLTC	110,964	235,190
Community Support Services Revenue [note 11]	377,446	254,793
Interest	4,975	1,093
Patient services	940,128	825,070
Other service program funding and other revenue [note12]	987,626	1,662,332
Amortization of deferred capital contribution - equipment and Information systems	300,565	303,849
	<u>16,666,849</u>	<u>16,353,058</u>
EXPENDITURES		
Amortization of major equipment/software	339,344	358,922
Bad debts	30,088	40,260
Drugs	116,695	117,781
Community support services expenditures [note11]	390,353	267,947
HOCC remuneration	322,968	312,460
Long Term Care [note 17]	1,809,509	1,629,812
Medical staff remuneration	224,646	200,679
Other service program expenditures [note12]	60,237	675,546
Other supplies and expenses		
Administrative supplies and services	1,301,251	743,770
Maintenance supplies and services	272,962	309,282
Medical and surgical supplies	260,153	240,749
Medical service supplies/expense	500,522	547,212
Nursing and other patient care supplies	314,424	334,037
Nutrition food and supplies	184,387	169,636
Supportive services	81,845	88,028
Utilities	690,991	570,498
Wages and benefits		
Administrative	1,261,032	1,255,122
Employee benefits	1,945,463	1,940,177
Medical services	1,718,049	1,578,517
Nursing & other patient care	3,379,962	3,398,899
Support services	1,481,195	1,413,188
	<u>16,686,076</u>	<u>16,192,522</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER)		
EXPENDITURES BEFORE UNDERNOTED	(19,227)	160,536
AMORTIZATION OF DEFERRED CAPITAL CONTRIBUTION LAND IMPROVEMENT & BUILDING	555,547	550,687
AMORTIZATION OF BUILDING AND PAVING	(761,710)	(744,721)
DEFICIENCY OF REVENUE UNDER EXPENDITURES	<u>\$ (225,390)</u>	<u>\$ (33,498)</u>

North of Superior Healthcare Group
STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31,

2018

2017

	Investment in Capital Assets \$	Unrestricted \$	Total \$	Total \$
Balance at beginning of year	1,010,267	(1,387,225)	(376,958)	(343,460)
Excess (deficiency) of revenue over (under) expenditures	(244,942)	19,552	(225,390)	(33,498)
Net change in investment in capital assets [note 8]	196,578	(196,578)	-	-
	961,903	(1,564,251)	(602,348)	(376,958)

North of Superior Healthcare Group
STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31,	2018	2017
OPERATING ACTIVITIES		
Deficiency of revenue under expenditures	\$ (225,390)	\$ (33,498)
Items not requiring cash from operations		
Amortization	1,101,054	1,103,643
Amortization of deferred capital contributions	(856,112)	(854,536)
Recoverable employee benefits	(72,953)	(38,576)
Employee future benefits	38,100	23,900
Change in non-cash operational balances [Note 5]	396,097	158,786
Cash provided by (used in) operating activities	380,796	359,719
CAPITAL ACTIVITIES		
Additions to capital assets	(707,511)	(512,895)
Funding for property plant and equipment		
Ministry of Health and Long Term Care and other government funding	381,497	214,723
Other funding sources	221,985	114,942
Cash provided by (used in) capital activities	(104,029)	(183,230)
FINANCING ACTIVITIES		
Repayment of long term debt	(92,549)	(103,260)
Cash provided by (used in) financing activities	(92,549)	(103,260)
Increase in cash during year	184,218	73,229
Cash (Cash overdraft), beginning of year	(174,583)	(247,812)
Cash (Cash overdraft), end of year	\$ 9,635	\$ (174,583)
Cash, end of year is represented by:		
Cash - restricted	\$ 112,007	\$ 55,310
Unrestricted cash overdraft	102,372	229,893
	\$ 9,635	\$ (174,583)

North of Superior Healthcare Group

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

Purpose of the organization

The North of Superior Healthcare Group (the Group) was created upon the amalgamation of The McCausland Hospital and the Wilson Memorial General Hospital.

The McCausland Hospital is principally involved in providing health care services to the Townships of Terrace Bay, Schreiber and surrounding region of Northwestern Ontario. The Wilson Memorial General Hospital is principally involved in providing health care services to the Town of Marathon and surrounding region of Northwestern Ontario.

The Hospital is incorporated under the *Public Hospitals Act* as a government not-for-profit organization and is a registered charity under the Income Tax Act. Accordingly, the Hospital is not subject to income taxes provided certain conditions are met.

1. Summary of 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. The more significant accounting policies are summarized as follows:

Financial instruments

Financial Instruments are recorded at fair market value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair market value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Group has elected to carry any such financial instruments at fair market value.

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 effective interest rate method.

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, the hospital 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 present value of the expected cash flows, the amount that could realized from selling the financial asset or the amount the Hospital expects to realize by exercising its right to any collateral. If the events and circumstances reverse in the future period, an impairment loss will be reversed to the extent of the impairment, not exceeding the initial carrying value.

Revenue

The Group follows the deferral method of accounting for revenue received. Under this method, externally restricted contributions for operations are recognized as revenue in the year in which the related expenses are incurred. Funds externally restricted for the purchase of capital assets are recognized as revenue in an amount equal to the annual amortization of the related assets. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can reasonably be estimated and collection is reasonably assured. Revenue from the Provincial Insurance Plan, preferred accommodation, and marketed services are recognized when the goods are sold or the service is provided.

North of Superior Healthcare Group

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

1. Summary of significant accounting policies (continued)

Capital assets and amortization

Purchased capital assets are recorded at acquisition cost and contributed assets are valued at their fair market value at the time of contribution. The cost of major replacements and improvements to capital assets are capitalized and the cost of maintenance and repairs are expensed when incurred.

The amortization of the capital assets is recorded annually with a corresponding reduction in investment in capital assets. All assets are amortized over their estimated useful lives using the straight-line basis at the following annual rates:

Buildings		
Ambulance, ancillary and hospital	-	2.5% - 5%
Service equipment	-	5%
Equipment		
Ancillary	-	5%
Hospital	-	5% - 33%
Information systems	-	10% - 20%
Paving	-	4%
Land improvements	-	10%

The Hospital monitors events and changes in circumstances which may require an assessment of the recoverability of its long-lived assets. If required, the Hospital would assess recoverability using estimated undiscounted future operating cash flows. If the carrying amount of an asset is not recoverable, an impairment loss is recognized in operations, measured by comparing the carrying amount of the asset to its fair value.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost of supplies inventory is determined on a first-in, first-out basis. Cost of pharmacy inventory is determined on a weighted average cost-basis.

Contributed materials and services

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

Compensated absences

Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the benefit plans of the Hospital.

North of Superior Healthcare Group

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

1. Summary of significant accounting policies (continued)

Employee future benefits

The Group provides extended health care, dental and life insurance benefits to substantially all employees and accrues its obligations under employee benefit plans and the related costs. The cost of retirement benefits earned by employees is actuarially determined using the project benefit method pro-rated on service from management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the amounts reported in the financial statements. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

2. Cash

The Group has an overall credit limit facility not to exceed at any time \$1,500,000. This is secured by a general Security Agreement. The interest rate is payable monthly at the bank's prime lending rate.

At the 2018 fiscal year end, the unrestricted cash balance was in overdraft position because of outstanding cheques.

3. Accounts receivable

	2018	2017
Account receivables - patient services	\$ 240,259	\$ 148,333
Ministry of Health and Long-Term Care	123,400	130,717
Harmonized sales tax	161,979	118,907
Account receivables - other	68,147	117,402
Less: allowance for doubtful accounts	(28,881)	(40,260)
	<u>\$ 564,904</u>	<u>\$ 475,099</u>

4. Inventory

	2018	2017
Pharmacy inventory	\$ 67,738	\$ 42,508
Supplies inventory	115,245	107,357
	<u>\$ 182,983</u>	<u>\$ 149,865</u>

North of Superior Healthcare Group

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

5. Change in non-cash operational balances

	<u>2018</u>	<u>2017</u>
Accounts Receivable	\$ (89,805)	\$ 193,801
Inventory	(33,118)	(3,766)
Prepaid Expenses	(38,027)	(5,932)
Accounts Payable and Accruals	339,435	(72,255)
Deferred Operating Contributions	217,612	46,938
	<u>\$ 396,097</u>	<u>\$ 158,786</u>

6. Capital assets

			<u>2018</u>	<u>2017</u>
	Cost	Accumulated Amortization	Net	Net
Land	\$ 35,724	\$ -	\$ 35,724	\$ 35,724
Land Improvements	986,078	907,466	78,612	84,137
Buildings				
Hospital	22,835,114	11,839,046	10,996,068	11,446,187
Service equipment	4,197,785	1,433,845	2,763,940	2,505,567
Major equipment				
Hospital	10,174,655	8,714,719	1,459,936	1,645,322
Information systems	1,018,792	960,917	57,875	80,224
	<u>39,248,148</u>	<u>23,855,993</u>	<u>15,392,155</u>	<u>15,797,161</u>
Construction in Progress	31,841	-	31,841	20,378
	<u>\$ 39,279,989</u>	<u>\$ 23,855,993</u>	<u>\$ 15,423,996</u>	<u>\$ 15,817,539</u>

7. Accounts payable and accrued liabilities

	<u>2018</u>	<u>2017</u>
Accounts payable trade and other	\$ 419,459	\$ 302,071
Statutory payroll deductions payable	267,787	98,187
Accrued salaries and benefits	1,003,515	951,068
	<u>\$ 1,690,761</u>	<u>\$ 1,351,326</u>

North of Superior Healthcare Group

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

8. (a) Investment in capital assets

	2018	2017
Capital assets at net book value	\$ 15,423,996	\$ 15,817,539
Amounts financed by -		
Deferred capital contributions	(12,419,041)	(12,671,671)
Long term Debt	(2,043,052)	(2,135,601)
	\$ 961,903	\$ 1,010,267

(b) Change in net assets invested in capital assets

	2018	2017
Deficiency of revenues under expenditures		
Amortization of deferred contributions	\$ 856,112	\$ 854,536
Amortization of capital assets	(1,101,054)	(1,103,643)
	(244,942)	(249,107)
Net change in capital assets		
Purchase of capital assets	707,511	512,895
Amounts funded by -		
Deferred capital contributions		
Utilized to purchase capitals assets during the year	(603,482)	(329,665)
Long-term debt repayment	92,549	103,260
	\$ 196,578	\$ 286,490

9. Long term debt

	2018	2017
3.70 % Mortgage, 8 year fixed rate		
Secured by Wilkes Terrace LTC wing		
Monthly blended payments of principal and interest of \$14,168	\$ 2,043,052	\$ 2,135,601
amortized over 20 years, rate term maturing February 28, 2022		
Current portion	(96,030)	(92,548)
	\$ 1,947,022	\$ 2,043,053

The approximate principal repayments for each of the next four years and thereafter are due as follows:

2019	-	96,030
2020	-	99,455
2021	-	103,387
2022	-	107,278
Thereafter	-	1,636,902

North of Superior Healthcare Group

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

10. Deferred capital contributions

Deferred capital contributions represent current and prior fiscal years' funding expended for the purchase of capital assets. These capital contributions are realized as the related capital assets are amortized.

						2018	2017
	Donation	LTC Land/Bldg	Government	Provincial Grants	Other	Net	Net
Balance at beginning of year	\$ 1,212,102	\$ 995,511	\$ 9,837,643	\$ 289,950	\$ 336,465	\$ 12,671,671	\$ 13,196,542
Received during the year	221,985	-	381,497	-	-	603,482	329,665
Amortized during the year	(110,586)	(53,493)	(541,816)	(140,319)	(9,898)	(856,112)	(854,536)
	\$ 1,323,501	\$ 942,018	\$ 9,677,324	\$ 149,631	\$ 326,567	\$ 12,419,041	\$ 12,671,671

Deferred capital contributions

			2018	2017
	Donations	Government and Other	Total	Total
Unamortized portion	\$ 1,133,640	\$ 11,095,540	\$ 12,229,180	\$ 12,541,733
Unexpended portion	189,861	-	189,861	129,938
	\$ 1,323,501	\$ 11,095,540	\$ 12,419,041	\$ 12,671,671

North of Superior Healthcare Group

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

11. Community support services funding

	<u>2018</u>	<u>2017</u>
Assisted Living - Marathon	\$ 206,936	\$ 124,243
Opioid Program - Marathon	13,400	-
Home Maintenance - Terrace Bay	12,614	12,614
Meals on Wheels - Marathon	40,831	41,348
Meals on Wheels - Terrace Bay	48,989	46,504
Seniors Transportation Van - Marathon	54,676	30,084
	<u>\$ 377,446</u>	<u>\$ 254,793</u>

Community support services expenditures

	<u>2018</u>	<u>2017</u>
Assisted Living - Marathon	\$ 213,271	\$ 123,718
Opioid Program - Marathon	13,400	-
Home Maintenance - Terrace Bay	12,614	12,614
Meals on Wheels - Marathon	44,915	43,515
Meals on Wheels - Terrace Bay	58,078	53,904
Seniors Transportation Van - Marathon	48,075	34,196
	<u>\$ 390,353</u>	<u>\$ 267,947</u>

12. Other service program funding and other revenue

	<u>2018</u>	<u>2017</u>
Small Hospital Transformation Fund	\$ -	\$ 618,024
LTC Internal Recoveries	392,406	373,402
Laundry Internal Recoveries	169,851	182,979
Donations	17,413	19,612
Ancillary Rental Income	119,051	100,942
Handi-Transit Revenue	41,695	40,469
Dietary Recoveries	34,417	27,716
Stroke Program Funding	26,000	26,000
External Recoveries - Programs	53,522	54,845
Sundry Recoveries	133,271	218,342
	<u>\$ 987,626</u>	<u>\$ 1,662,332</u>

Other service programs expenditures

	<u>2018</u>	<u>2017</u>
Small Hospital Transformation Fund	\$ -	\$ 618,024
Ancillary Rental Expenses	9,135	8,861
Handi-Transit	39,102	36,661
Dietary Supplies	12,000	12,000
	<u>\$ 60,237</u>	<u>\$ 675,546</u>

North of Superior Healthcare Group
NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

13. Contingent liabilities

Employee fringe benefits

The Hospital, together with other regional hospitals, has a self-insured employee benefit plan for semi-private, dental and extended health care benefits. Under the terms of the plan, the Hospital will pay for certain employee benefit claims not exceeding \$10,000 per employee per year. Any excess claims would be insured.

14. Employee future benefits

At March 31, 2018, the Hospital's total accrued benefit obligation related to post retirement benefits plans (other than pension) is \$569,700.

The significant actuarial assumptions adopted in estimating the Hospital's accrued benefit obligation are as follows:

Discount rate	3.5%
Dental benefits cost escalation	4.0%
Medical benefits cost escalation - extended health care	6.50%
decreasing by 0.25% per annum to an ultimate rate of	5.0%

Included in employee benefits on the statement of operations is an amount of \$38,100 for employee future benefits. This amount is comprised of:

	<u>2018</u>	<u>2017</u>
Additional benefit expenses	\$ 74,600	\$ 72,700
Estimated payments made by the Hospital during the year	(36,500)	(48,800)
	<u>\$ 38,100</u>	<u>\$ 23,900</u>

15. Commitments

Under the terms of equipment and maintenance leases, the Corporation is committed to make minimum monthly lease payments totaling \$28,146 per annum. The lease expiry dates range from December 2018 to January 2023.

North of Superior Healthcare Group

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

16. Pension Plan

Most of the employees of the Hospital are members of the Hospitals of Ontario Pension Plan (the Plan), Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, that provide the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. On January 1, 2018, the contribution rates were 6.9% up to the year's maximum pensionable earnings (YMPE) and 9.2% above the YMPE. The funding objective is for the employer contributions to the Plan to remain a constant percentage of employees' contributions. (The Hospital's portion of 1.26 of the employees' contribution).

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2017 indicates the Plan is 122% funded. Contributions to the Plan made during the year by the Hospital on behalf of its employees amounted to \$667,976 and are included in the statement of operations.

North of Superior Healthcare Group

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

17. Long-Term Care

	2018	2017
FUNDING PROV LHINS-LTCH Nursing & PC Envelope		
Nursing envelope revenue	\$ 958,208	\$ 914,921
Nursing envelope expenses	1,040,440	877,664
	<u>(82,232)</u>	<u>37,257</u>
FUNDING PROV LHINS-LTCH PSS Envelope		
PSS envelope revenue	96,020	94,569
PSS envelope expenses	115,826	109,002
	<u>(19,806)</u>	<u>(14,433)</u>
FUNDING PROV LHINS-LTCH Raw Food Envelope		
Raw Food envelope revenue	71,163	67,247
Raw Food envelope expenses	70,854	67,481
	<u>309</u>	<u>(234)</u>
FUNDING PROV LHINS-LTCH OA Envelope		
OA envelope revenue	459,843	451,719
OA envelope expense	582,390	575,665
	<u>(122,547)</u>	<u>(123,946)</u>
Premium Income	<u>53,439</u>	<u>55,281</u>
Total LTC Revenue	1,638,673	1,583,737
Total LTC Expense	1,809,510	1,629,812
Subtotal	<u>(170,837)</u>	<u>(46,075)</u>
Deferred Revenue Amortization	278,764	260,955
Depreciation	368,830	369,254
LONG TERM CARE DEFICIT	<u>\$ (260,903)</u>	<u>\$ (154,374)</u>

North of Superior Healthcare Group

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

18. Financial Instruments and Risk Management

The Hospital's financial instruments consist of cash and cash equivalents, capital expenditure reserve fund, accounts receivable, accounts payable and accrued liabilities.

The Hospital's financial instruments are generally classified and measured as follows:

Assets/liabilities	Measurement Category	Fair Value Level
Cash and cash equivalents - Restricted	fair value	Level 1
Cash and cash equivalents - Unrestricted	fair value	Level 1
Accounts receivable	amortized cost	
Accounts payable and accrued liabilities	amortized cost	
Long term debt	amortized cost	

Fair value measurement

The following classification system is used to describe the basis of the inputs used to measure the fair value of the

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – inputs for the assets or liabilities that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate, based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Risk and Concentration

The Hospital is exposed to various risks through its financial instruments. The following analysis provides a measure of the company's risk exposure and concentrations as at March 31, 2018.

Credit risk:

The Hospital's exposure to credit risk relates to its accounts receivable and arises from the possibility that debtors will not fulfill their obligations under their agreements. This risk is minimized through continuous monitoring of aged receivable balances, providing for an adequate allowance for doubtful accounts, monitoring patient receivables, WSIB and government amounts receivable. There has been no change in credit risk from that of prior year.

Liquidity risk:

Liquidity risk is the risk that the Hospital will encounter difficulty raising liquid funds to meet commitments as they arise. In meeting its liquidity requirements the organization monitors its working capital, cash flow requirements and obligations. The organization maintains a target level of available cash to meet liquidity requirement as they come due and has adequate borrowing facilities. There has been no change in liquidity risk from that of prior year.

Interest rate risk:

Interest rate risk is the risk for potential financial loss caused by fluctuations in the fair value or future cash flows of financial instruments because of changes in market interest rates. The Hospital is exposed to this risk through its long term debt. The Hospital's exposure to interest rate risk is minimal. There has been no change in interest rate risk from that of the prior year.

Interest on long term debt for 2018 \$73,983.