
Financial statements of



March 31, 2019



Statement of Management Responsibility

The accompanying financial statements of Royal Victoria Regional Health Centre have been prepared by management in accordance with Canadian public sector accounting principles, and the integrity and objectivity of these statements are management's responsibilities. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable information is produced.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Finance and Audit Committee of the Board. The Finance and Audit Committee meets with management and the external auditors no fewer than two times a year.

The external auditors, Deloitte LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Health Centre's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly in accordance with Canadian public sector accounting standards. The external auditors have full and free access to the Finance and Audit Committee of the Board and meet with it on a regular basis.

On behalf of Royal Victoria Regional Health Centre



Janice Skot
President & Chief Executive Officer



Ben Petersen
Executive Vice President,
Corporate Services & Chief Financial Officer

May 28, 2019
Barrie, Canada

Independent Auditor's Report

To the Chairman and Board of Directors of
Royal Victoria Regional Health Centre

Opinion

We have audited the financial statements of Royal Victoria Regional Health Centre (the "Health Centre"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations and changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Health Centre as at March 31, 2019, and the results of its operations, changes in net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Health Centre in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Health Centre's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Health Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Health Centre's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Health Centre's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Health Centre's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Health Centre to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The image shows a handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
May 28, 2019

Royal Victoria Regional Health Centre
Statement of operations and changes in net assets
Year ended March 31, 2019
(In thousands of dollars)

	Notes	2019	2018
		\$	\$
Revenue			
NSMLHIN and MOHLTC hospital programs		258,267	243,838
Cancer Care Ontario		38,356	34,128
Patient revenue		27,163	25,568
Recoveries and other		17,428	16,157
Specifically funded programs	10	9,362	8,944
Amortization of deferred capital contributions	7	18,374	19,955
		368,950	348,590
Expenses			
Salaries, wages and benefits	8	194,627	184,068
Medical staff remuneration		35,392	33,776
Medical and surgical supplies		22,752	21,134
Drugs		24,532	20,358
Equipment, maintenance and utilities		16,221	17,654
Other supplies and services		32,487	26,847
Specifically funded programs	10	9,364	8,534
Amortization of capital assets		27,887	27,414
		363,262	339,785
Excess of revenue over expenses		5,688	8,805
Net assets, beginning of year		44,585	35,780
Net assets, end of year		50,273	44,585

The accompanying notes are an integral part of the financial statements.

Royal Victoria Regional Health Centre

Statement of financial position

As at March 31, 2019

(In thousands of dollars)

	Notes	2019 \$	2018 \$
Assets			
Current assets			
Cash	3	77,783	71,175
Accounts receivable	4	15,479	14,224
Inventories		2,215	1,670
Prepaid expenses		3,766	3,187
		99,243	90,256
Investment in joint venture	9 (c)	161	161
Capital assets	5	351,447	361,136
		450,851	451,553
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	82,088	76,187
Deferred capital contributions	7	307,998	320,790
Employee future benefits	8	10,492	9,991
		400,578	406,968
Commitments and contingencies	12		
Net assets		50,273	44,585
		450,851	451,553

The accompanying notes are an integral part of the financial statements.

On Behalf of the Board

 Director
 Director

Royal Victoria Regional Health Centre

Statement of cash flows

Year ended March 31, 2019

(In thousands of dollars)

	Notes	2019	2018
		\$	\$
Operating activities			
Excess of revenues over expenses		5,688	8,805
Items not affecting cash			
Loss on disposal of capital assets		109	241
Amortization of capital assets		27,887	27,414
Amortization of deferred capital contributions		(18,374)	(19,955)
Deferred contributions recognized as revenue		—	(16)
Employee post-retirement benefits expense		496	510
Change in non-cash working capital	11	3,690	877
		19,496	17,876
Capital activities			
Additions to capital assets		(18,307)	(30,670)
Proceeds on disposal of capital assets		—	108
		(18,307)	(30,562)
Financing activities			
Increase in deferred capital contributions		5,582	9,237
Contributions to employee post-retirement benefits		(163)	(192)
		5,419	9,045
Increase (decrease) in cash during the year		6,608	(3,641)
Cash, beginning of year		71,175	74,816
Cash, end of year		77,783	71,175

The accompanying notes are an integral part of the financial statements.

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2019

(In thousands of dollars)

1. Nature of the organization

Royal Victoria Regional Health Centre ("the Health Centre") is incorporated without share capital under the Canada Business Corporations Act as a charitable organization and is a registered charity within the meaning of the Income Tax Act (Canada). The Health Centre is principally involved in providing health care services to the residents of the Simcoe Muskoka region.

2. Summary of significant accounting policies

Basis of presentation

The financial statements of the Health Centre have been prepared in accordance with Canadian public sector accounting standards including PS4200-4270 pertaining to government not-for-profit organizations, and include the following significant accounting policies.

Revenue recognition

The Health Centre follows the deferral method of accounting for contributions which includes donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Health Centre is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC") and the North Simcoe Muskoka Local Health Integration Network ("NSMLHIN").

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 is related to a future period, it is deferred and recognized in that subsequent period. Revenues earned are reported based on modifications in funding formulas. Revenues earned are subject to adjustments as a result of reconciliation processes performed by the MOHLTC.

Unrestricted contributions are recognized as revenue when received or receivable where the amount 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 or when the requirements to earn the contributions have occurred.

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 asset.

Revenue from patient and other services is recognized when the services are provided.

Contributed services

The Health Centre is dependent on the voluntary services of many individuals. Since these services are not normally purchased by the Health Centre and because of the difficulty in estimating their fair market value, these services are not recorded in these financial statements.

Financial instruments

All financial instruments reported on the statement of financial position of the Health Centre are measured as follows:

Cash	Amortized cost
Receivables	Amortized cost
Current liabilities	Amortized cost

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2019

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Inventories

Inventories are valued at the lower of cost and replacement cost. For inventories of stores, cost has been determined on the weighted average basis. All other inventories are valued on the first-in, first-out basis.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Betterments which extend the estimated life of an asset are capitalized. Projects in progress, including related financing costs, is recorded based on expenses incurred as at March 31, 2019. Amortization of projects in progress will commence upon completion of the project. When an asset no longer contributes to the Health Centre's ability to provide services, its carrying amount is written down to its residual value.

Amortization based on the estimated useful life of the asset is calculated as follows:

Buildings	40 or 50 years
Building components	5 to 20 years
Building service equipment	5 to 20 years
Equipment	5 to 20 years
Equipment under capital leases	5 to 20 years
Land improvements	5 to 20 years

In the year that the asset is put into use, amortization is taken for the full year.

Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the reporting period.

Accounts involving significant estimates include accounts receivable, capital assets, certain accounts payable and accrued liabilities, and employee future benefits. Actual results could differ from management's estimates as additional information becomes available in the future.

Investment in joint venture

The Health Centre owns 50% of the common shares of Royal ProResp Inc. The Health Centre has appointed 50% of the members of the joint venture's Board of Directors and as a result, has joint control over the strategic operating, investing and financing policies of the corporation. The remaining 50% interest is held by an unrelated party. The activity of this joint venture is included in the accompanying statements following the equity method (Note 9 (c)).

Employee future benefits

The Health Centre accrues its obligations for employee future benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages of employees and expected health care costs.

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2019

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Employee future benefits (continued)

Actuarial gains and losses on the accrued benefit obligation arise from changes in actuarial assumptions used to determine the accrued benefit obligation and are amortized over the average remaining service period of the active employees. Past service costs arising from plan amendments are recognized in the year that the plan amendments occur.

The Health Centre is an employer member of the Healthcare of Ontario Pension Plan, which is a multiemployer, defined benefit pension plan. The Health Centre has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles (Note 8).

Impairment of long lived assets

Assets are reviewed for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be fully recoverable. The Health Centre monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Health Centre's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset.

3. Cash and bank indebtedness

The Health Centre's bank accounts are held at a chartered bank. The operating bank accounts earn interest at prime less 1.75% calculated on the daily balances up to \$90,000.

The Health Centre has the following credit facilities available with the Bank of Montreal:

- (a) Revolving line of credit to a maximum authorized amount of \$20,000.
- (b) Multi-draw term loan to a maximum authorized amount of \$15,000.
- (c) Multi-draw term loan to a maximum authorized amount of \$20,000.

All of the above facilities bear interest at prime less 0.25% and are unused as at March 31, 2019 (prime less 0.25% and unused in 2018). These facilities are unsecured and are due on demand.

4. Accounts receivable

	2019	2018
	\$	\$
MOHLTC/NSMLHIN	2,922	3,371
Cancer Care Ontario	4,693	2,869
The Royal Victoria Regional Health Centre Foundation	343	346
Other	7,521	7,638
Balance, end of year	15,479	14,224

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2019

(In thousands of dollars)

5. Capital assets

	2019		2018
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	2,097	—	2,097
Buildings and building components	296,478	69,815	226,663
Building service equipment	145,012	73,082	71,930
Equipment	160,275	124,604	35,671
Land improvements	11,867	8,723	3,144
Projects in progress	11,942	—	11,942
	627,671	276,224	351,447

6. Accounts payable and accrued liabilities

	2019	2018
	\$	\$
MOHLTC/NSMLHIN	11,001	9,703
Cancer Care Ontario	1,556	745
Payroll related liabilities	26,438	24,943
Other accounts payable and accrued liabilities	24,214	20,765
Deferred revenue	18,879	20,031
Balance, end of year	82,088	76,187

7. Deferred capital contributions

	2019	2018
	\$	\$
Balance, beginning of year	320,790	331,524
Additional contributions	5,582	9,237
Amounts amortized to revenue	(18,374)	(19,955)
Amounts recognized as revenue	—	(16)
Balance, end of year	307,998	320,790

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2019

(In thousands of dollars)

8. Employee future benefits

(a) Pension plan

Substantially all of the employees of the Health Centre are members of the Healthcare of Ontario Pension Plan ("HOOPP") which is a multiemployer defined benefit, final average earnings, and contributory pension plan. The Health Centre's contributions to HOOPP during the year amounted to \$14,365 (\$12,669 in 2018), of which \$13,857 (\$12,211 in 2018) is included in salaries, wages and benefits expenses, \$487 (\$417 in 2018) is included in specifically funded programs expenses in the statement of operations, and \$21 (\$41 in 2018) is included in capital assets.

The most recent actuarial valuation of the plan as at December 31, 2018 indicates the Plan is 121% (122% in 2017) funded. Because the plan is a multiemployer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario Hospital Association members and their employees. As a result, the Health Centre does not recognize any share of the Plan surplus or deficit. The Health Centre records estimated liabilities for accrued employee benefits in the year they are earned.

(b) Other employee future benefits

The Health Centre shares the cost of post-retirement extended healthcare and dental benefits with full time employees upon retirement, at any age for SEIU members and for Non-Union, OPSEU and ONA members if they retire between ages 57-64. These benefits end at the earlier of the member's death or at age 65.

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

Discount rate	3.0% (3.30% in 2018) per annum
Dental benefits cost escalation	4.0% (3.25% in 2018) per annum
Extended healthcare cost escalation	7.0% (5.75% in 2018) decreasing by 0.30% per annum to ultimate rate of 4%

Included in salaries, wages and benefits in the statement of operations is an amount of \$496 (\$510 in 2018) regarding non-pension benefit expense.

The following amounts have been calculated using the most recent actuarial valuation as at September 30, 2018. The next full valuation of the plan will be as at September 30, 2019.

(i) The accrued non-pension liability as at March 31, 2019 is calculated as follows:

	2019	2018
	\$	\$
Accrued benefit liability, beginning of year	10,400	10,082
Expense	496	510
Funding contributions	(163)	(192)
Accrued benefit liability, end of year	10,733	10,400
Less: current portion included in accounts payable and accrued liabilities	(241)	(409)
Long-term portion	10,492	9,991

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2019

(In thousands of dollars)

8. Employee future benefits (continued)

(b) *Other employee future benefits (continued)*

(ii) The non-pension benefit expense for the year is calculated as follows:

	2019	2018
	\$	\$
Accrual for services	367	398
Interest on accrued benefits	274	264
Amortization of Actuarial gains during the period	(145)	(152)
Expense for the year	496	510

(iii) The accrued benefit liability as at March 31, 2019 is calculated as follows:

	2019	2018
	\$	\$
Accrued benefit obligation	7,854	8,159
Unamortized actuarial gains	2,879	2,241
	10,733	10,400

9. Related entities

(a) *Royal Victoria Regional Health Centre Auxiliary Inc.*

The Health Centre has an economic interest in the Royal Victoria Regional Health Centre Auxiliary Inc. ("the Auxiliary"). The Auxiliary supports and assists the Health Centre, its staff and the Foundation in providing the best level of patient care through support services; in part as overseen by the volunteer services department of the Health Centre. The Health Centre does not exercise control or significant influence over the Auxiliary and consequently these financial statements do not include assets, liabilities and activities of the Auxiliary.

(b) *The Royal Victoria Regional Health Centre Foundation*

The Royal Victoria Regional Health Centre Foundation ("the Foundation") was established to raise and manage funds for the benefit of the Health Centre. The Foundation is incorporated as a public foundation under the - Ontario Corporations Act and is a registered Charity under the Income Tax Act. The net assets and results of operations of the Foundation are not included in the statements of the Health Centre. As at December 31, 2018, an amount of \$41,288 (\$39,274 as at December 31, 2017) of the Foundation's net assets is subject to restricted use or conditions imposed by donors.

During the year the Foundation contributed \$1,655 (\$1,288 in 2018) to the Health Centre for the purchase of capital assets, which was recorded as deferred capital contributions. The Health Centre also received from the Foundation \$204 (\$379 in 2018) for small equipment and educational purposes.

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2019

(In thousands of dollars)

9. Related entities (continued)

(c) Investment in joint venture

The Health Centre has a 50% interest in a profit oriented joint venture - Royal ProResp Inc., which is primarily engaged in providing home respiratory care services and products.

The amount of \$161 (\$161 in 2018) reported on the statement of financial position as investment in joint venture, represents the Health Centre's share of the retained earnings of the joint venture.

Management fees in the amount of \$469 (\$465 in 2018) are included in Recoveries and other on the statement of operations. Amounts due from ProResp Inc. in the amount of \$400 (\$400 in 2018) are included in accounts receivable on the statement of financial position.

10. Specifically funded programs

The Health Centre administers a number of programs which are specifically funded by the MOHLTC, NSMLHIN and other agencies. The revenues and expenses related to these programs are recorded separately from the base funding operations of the Health Centre and any excess or deficiency of revenues over expenses is settled with the MOHLTC and other agencies on an annual basis. As at March 31, 2019, the Health Centre has included in accounts payable an amount of \$1,183 (\$969 in 2018) as due to the MOHLTC and other agencies and has included in accounts receivable an amount of \$49 (\$52 in 2018) as due from the MOHLTC and other agencies related to these programs.

	2019	2018
	\$	\$
Revenue		
Community Mental Health and Substance Abuse Programs	4,609	3,949
Primary Care Asthma Program	57	58
Children's Speech and Language Program - County of Simcoe	810	810
Other Programs	3,886	4,127
	9,362	8,944
Expenses		
Community Mental Health and Substance Abuse Programs	4,609	3,938
Primary Care Asthma Program	57	58
Children's Speech and Language Program - County of Simcoe	810	810
Other Programs	3,888	3,728
	9,364	8,534

Royal Victoria Regional Health Centre**Notes to the financial statements**

March 31, 2019

(In thousands of dollars)

11. Net change in non-cash working capital balances

	2019	2018
	\$	\$
Accounts receivable	(1,255)	(255)
Inventories	(545)	(86)
Prepaid expenses	(579)	401
Accounts payable and accrued liabilities	6,069	817
	3,690	877

Decreases in assets and increases in liabilities are sources of funds. Increases in assets and decreases in liabilities are uses of funds (indicated by brackets).

12. Commitments and contingencies

- (a) The Health Centre has various operating lease and service agreements with future minimum payments. For one of the operating leases included below, RVH has committed sub-leases from third parties amounting to \$1,291, plus operating costs.

	\$
2020	3,202
2021	564
2022	564
2023	561
2024	561
2025 and thereafter	4,118
	<u>9,570</u>

- (b) The nature of the Health Centre's activities is such that there is usually litigation pending or in progress at any one time. With respect to claims as at March 31, 2019, it is management's position that the Health Centre has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes such claims are not expected to have a material effect on the Health Centre's financial position.
- (c) A group of healthcare institutions, including the Health Centre, are members of the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the liability insurance risk of its members. All members pay annual deposit premiums which are actuarially determined and are subject to further assessment for losses, if any, experienced by the pool for the years in which they were members. The most recent Annual Report available for HIROC is as at December 31, 2017 and is not in a deficit position.

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2019

(In thousands of dollars)

13. Ministry of Health and Long-Term Care ("MOHLTC")/physician agreements

(a) Emergency Physician alternative funding agreement

The Health Centre has an agreement with the emergency physicians and the MOHLTC for alternative funding for emergency services. The revenues and expenses included in the statement of operations are as follows:

	2019	2018
	\$	\$
Funding from MOHLTC	8,044	7,711
Other revenue	254	232
	<u>8,298</u>	<u>7,943</u>
Medical staff remuneration		
Payments to physicians	8,248	7,893
Administration	50	50
	<u>8,298</u>	<u>7,943</u>
	<u>—</u>	<u>—</u>

(b) Physician on call coverage

The Health Centre has an agreement with the MOHLTC for Physician on Call Coverage. The revenue and expenses included in the statement of operations are as follows:

	2019	2018
	\$	\$
Funding from MOHLTC	2,944	2,944
Medical staff remuneration		
Payments to physicians	2,944	2,944
	<u>—</u>	<u>—</u>

14. Financial instruments and risk management

Establishing fair value

The carrying value of cash, short term investments, accounts receivable, grants receivable, accounts payable and accrued liabilities, approximates their fair value because of the relatively short period to maturity of the instruments.

Credit risk

Credit risk relates to the potential for financial loss due to one party to a financial instrument will fail to discharge an obligation. The Health Centre is exposed to credit risk on its accounts receivable.

Interest rate risk

Interest rate risk relates to the potential for financial loss caused by fluctuations in fair value of future cash flows of financial instruments because of changes in market interest rates.