

Financial statements of



March 31, 2016



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 Hospital'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
Vice President Corporate Services & Chief
Financial Officer

May 31, 2016
Barrie, Canada

Independent Auditor's Report

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

We have audited the accompanying financial statements of the Royal Victoria Regional Health Centre, which comprise the statement of financial position as at March 31, 2016, and the statements of operations and changes in net assets and cash flows for the year then ended, and 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 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 the Royal Victoria Regional Health Centre as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants
Licensed Public Accountants
May 31, 2016

Royal Victoria Regional Health Centre

Statement of operations and changes in net assets

year ended March 31, 2016

(In thousands of dollars)

	2016	2015
	\$	\$
Revenue		
NSMLHIN and MOHLTC hospital programs (Note 12)	227,761	226,010
Cancer Care Ontario	29,534	26,765
OHIP and other patient care	21,010	20,911
Preferred accommodation	4,257	4,204
Other	15,724	16,701
Specifically funded programs (Note 11)	8,523	7,573
Amortization of deferred capital contributions (Note 8)	23,925	22,372
	330,734	324,536
Expenses		
Salaries, wages and benefits (Note 9)	171,328	168,851
Medical staff remuneration	32,545	32,263
Medical and surgical supplies	20,000	19,340
Drugs	17,727	17,719
Other supplies and expenses	39,581	39,965
Specifically funded programs (Note 11)	8,667	7,767
Amortization of capital assets	28,487	26,709
	318,335	312,614
Excess of revenues over expenses	12,399	11,922
Net assets, beginning of year	14,751	2,829
Net assets, end of year	27,150	14,751

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

Royal Victoria Regional Health Centre

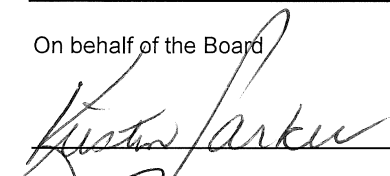
Statement of financial position

as at March 31, 2016

(In thousands of dollars)

	2016	2015
	\$	\$
Assets		
Current assets		
Cash (Note 3)	62,751	48,238
Accounts receivable (Note 4)	16,327	16,449
Inventories	1,352	1,685
Prepaid expenses	2,772	1,940
	83,202	68,312
Investment in joint venture (Note 10 (c))	161	161
Capital assets (Note 5)	372,006	384,614
	455,369	453,087
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	66,525	66,588
Current portion of obligation under capital lease (Note 7)	66	62
	66,591	66,650
Obligation under capital lease (Note 7)	34	100
Deferred capital contributions (Note 8)	352,181	363,634
Employee future benefits (Note 9)	9,413	7,952
	428,219	438,336
Contingencies (Note 14)		
Net assets	27,150	14,751
	455,369	453,087

On behalf of the Board

 Director

 Director

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

Royal Victoria Regional Health Centre

Statement of cash flows

year ended March 31, 2016

(In thousands of dollars)

	2016	2015
	\$	\$
Operating activities		
Excess of revenues over expenses	12,399	11,922
Items not affecting cash		
(Gain) loss on disposal of capital assets	(540)	54
Amortization of capital assets	28,487	26,709
Amortization of deferred capital contributions	(23,925)	(22,372)
Employee post-retirement benefits expense	1,541	1,262
Change in non-cash working capital (Note 13)	(376)	(10,248)
	17,586	7,327
Capital activities		
Additions to capital assets	(16,168)	(13,116)
Proceeds on disposal of capital assets	829	7
	(15,339)	(13,109)
Financing activities		
Repayment of obligation under capital lease	(62)	(58)
Increase in deferred capital contributions	12,472	4,647
Decrease in grants receivable	-	955
Contributions to employee post-retirement benefits	(144)	(133)
	12,266	5,411
Increase (decrease) in cash during the year	14,513	(371)
Cash, beginning of year	48,238	48,609
Cash, end of year	62,751	48,238

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

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2016

(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.

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

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.

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2016

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

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, 2016. Amortization of construction 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	3 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 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 10 (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.

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 9).

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2016

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

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 \$75,000.

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 \$15,000.
- (b) Multi-draw term loan to a maximum authorized amount of \$15,000.
- (c) Multi-draw term loan to a maximum authorized amount of \$50,000.

All of the above facilities bear interest at prime less 0.25% and are undrawn as at March 31, 2016 (2015 - prime less 0.25% and undrawn). These facilities are unsecured and are due on demand.

4. Accounts receivable

	2016	2015
	\$	\$
MOHLTC/NSMLHIN	2,818	6,376
Cancer Care Ontario	3,402	2,960
The Royal Victoria Hospital of Barrie Foundation	563	336
Other	9,544	6,777
Balance, end of year	16,327	16,449

5. Capital assets

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	2,097	-	2,097	2,190
Buildings and building components	277,611	46,651	230,960	237,045
Building service equipment	142,239	53,886	88,353	94,986
Equipment	140,427	99,294	41,133	40,806
Equipment under capital leases	527	316	211	246
Land improvements	11,294	6,933	4,361	4,517
Projects in progress	4,891	-	4,891	4,824
	579,086	207,080	372,006	384,614

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2016

(In thousands of dollars)

5. Capital assets (continued)

Amortization relating to equipment under capital lease for the year is \$35 (2015 - \$35) which is included in amortization of capital assets reported in the statement of operations.

6. Accounts payable and accrued liabilities

	2016	2015
	\$	\$
MOHLTC/NSMLHIN	1,202	1,651
Cancer Care Ontario	233	739
Payroll related liabilities	19,790	18,572
Other accounts payable and accrued liabilities	17,303	15,860
Deferred revenue	27,997	29,766
Balance, end of year	66,525	66,588

7. Obligation under capital lease

The Health Centre has entered into a long-term capital lease for equipment with an interest rate of 5.76% ending in fiscal year 2018.

The following is a schedule of minimum lease payments required until the end of the lease.

	\$
2017	69
2018	36
	105
Less: imputed interest	5
	100
Less: current portion	66
	34

The obligation under capital lease is secured by the specific leased equipment. During the year interest of \$8 (2015 - \$11) was charged to the statement of operations related to this lease.

8. Deferred capital contributions

	2016	2015
	\$	\$
Balance, beginning of year	363,634	374,972
Additional contributions	12,472	11,034
Amounts amortized to revenue	(23,925)	(22,372)
Balance, end of year	352,181	363,634

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2016

(In thousands of dollars)

9. 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 \$12,283 (2015 - \$11,876), of which \$11,728 (2015 - \$11,381) is included in salaries, wages and benefits expenses, \$422 (2015 - \$375) is included in specifically funded programs expenses in the statement of operations, and \$133 (2015 - \$120) is included in capital assets.

The most recent actuarial valuation of the plan as at December 31, 2015 indicates the Plan is 122% (2015 - 115%) 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	3.70% (2015 - 4.00%) per annum
Dental benefits cost escalation	3.25% (2015 - 4.00%) per annum
Extended healthcare cost escalation	6.00% (2015 - 8.00%) decreasing by 0.25% per annum to ultimate rate of 4.00% per annum

Included in salaries, wages and benefits in the statement of operations is an amount of \$1,541 (2015 - \$1,262) regarding non-pension benefit expense.

The following amounts have been calculated using the most recent actuarial valuation as at September 30, 2015. The next full valuation of the plan will be as at September 30, 2018 or earlier.

(i) The accrued non-pension liability as at March 31, 2016 is calculated as follows:

	2016	2015
	\$	\$
Accrued benefit liability - beginning of year	8,376	7,249
Expense	1,541	1,262
Funding contributions	(144)	(135)
Accrued benefit liability - end of year	9,773	8,376
Less: current portion included in accounts payable and accrued liabilities	(360)	(424)
Long-term portion	9,413	7,952

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2016

(In thousands of dollars)

9. Employee future benefits (continued)

(b) Other employee future benefits (continued)

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

	2016	2015
	\$	\$
Accrual for services	891	696
Interest on accrued benefits	393	411
Amortization of Actuarial losses during the period	257	155
Expense for the year	1,541	1,262

(iii) The accrued benefit liability as at March 31, 2016 is calculated as follows:

	2016	2015
	\$	\$
Accrued benefit obligation	7,180	12,124
Unamortized actuarial gains/(losses)	2,593	(3,748)
	9,773	8,376

10. Related entities

(a) Royal Victoria Hospital Auxiliary Inc.

The Health Centre has an economic interest in the Royal Victoria Hospital 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 Hospital of Barrie Foundation

The Royal Victoria Hospital of Barrie 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 Canada 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, 2015, an amount of \$29,918 (December 31, 2014 - \$26,018) of the Foundation's net assets is subject to restricted use or conditions imposed by donors.

During the year the Foundation contributed \$2,529 (2015 - \$640) 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 \$443 (2015 - \$311) for small equipment and educational purposes and \$188 (2014 - \$1,282) relating to various contractual agreements entered into by both parties, all of which has been included in other revenue in the statement of operations.

(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 (2015 - \$161) 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 \$388 (2015 - \$353) are included in other revenue on the statement of operations. Amounts due from ProResp Inc. in the amount of \$380 (2015 - \$380) are included in accounts receivable on the statement of financial position.

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2016

(In thousands of dollars)

10. Related entities (continued)

(d) Central Ontario Healthcare Procurement Alliance ("COHPA")

Effective March 26, 2008, the Health Centre entered into an agreement with COHPA, an independent non-profit corporation, the members of which consist of six hospitals, including the Health Centre.

COHPA's primary responsibility is to provide centralized purchasing, logistics, inventory management and accounts payable capabilities to its members on a cost-recovery basis. Based on the agreement, COHPA has the right to charge membership fees to its members. During the year the Health Centre expensed membership fees to COHPA in the amount of \$1,569 (2015 - \$1,554).

11. Specifically funded programs

- (a) 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, 2016, the Health Centre has included in accounts payable an amount of \$461 (2015 - \$587) as due to the MOHLTC and other agencies and has included in accounts receivable an amount of \$39 (2015 - \$54) as due from the MOHLTC and other agencies related to these programs.

	2016	2015
	\$	\$
Revenue		
Community Mental Health and Addictions Program	4,046	3,585
Primary Care Asthma Program	57	56
Children's Speech and Language Program - Ministry of Community and Social Services	219	219
Other Programs	4,201	3,713
	8,523	7,573
Expenses		
Community Mental Health and Addictions Program	4,372	4,133
Primary Care Asthma Program	57	56
Children's Speech and Language Program - Ministry of Community and Social Services (11(b))	219	219
Other Programs	4,019	3,359
	8,667	7,767

- (b) Included in specifically funded programs are the following expenses related to the Children's Speech and Language Program funded by the Ministry of Community and Social Services.

	2016	2015
	\$	\$
Salaries and benefits	198	200
Other service costs	8	6
Allocated central administration	13	13
	219	219

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2016

(In thousands of dollars)

12. Revenue adjustments

Revenues earned from the NSMLHIN and MOHLTC are reported based on management's best estimates relating to a variety of factors including case volumes and modifications in funding formulas. Revenues earned are subject to adjustment as a result of reconciliation processes performed by the MOHLTC. During the year this resulted in recognition of \$4,838 (2015 - \$11,050) in revenue.

13. Net change in non-cash working capital balances

	2016	2015
	\$	\$
Accounts receivable	122	(1,637)
Inventories	333	(95)
Prepaid expenses	(832)	(388)
Accounts payable and accrued liabilities	1	(8,128)
	(376)	(10,248)

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).

14. Contingencies

- (a) 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, 2016, 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.
- (b) A group of healthcare institutions, included 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. As at March 31, 2016, no assessments have been received.

15. 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:

	2016	2015
	\$	\$
Funding from MOHLTC	7,811	7,792
Other revenue	199	203
Total revenue	8,010	7,995
Medical staff remuneration		
Payments to physicians	7,960	7,945
Administration	50	50
Total expenses	8,010	7,995
	-	-

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2016

(In thousands of dollars)

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

(b) *Physician on call coverage*

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

	2016	2015
	\$	\$
Funding from MOHLTC - current year	2,944	2,942
Medical staff remuneration		
Payments to physicians	2,944	2,942
Total expenses	-	-

16. 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.

17. Comparative figures

Certain comparative numbers have been reclassified to conform to the current year presentation.