
Financial statements of



March 31, 2018

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
Vice President Corporate Services & Chief
Financial Officer

June 19, 2018
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, 2018, 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, 2018 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 29, 2018

Royal Victoria Regional Health Centre

Statement of operations and changes in net assets

Year ended March 31, 2018

(In thousands of dollars)

	Notes	2018	2017
			(Note 15)
		\$	\$
Revenue			
NSMLHIN and MOHLTC hospital programs		243,838	225,779
Cancer Care Ontario		34,128	31,691
OHIP and other patient care		22,081	22,562
Preferred accommodation		3,487	3,725
Other		16,157	14,885
Specifically funded programs	10	8,944	8,035
Amortization of deferred capital contributions	7	19,955	24,481
		348,590	331,158
Expenses			
Salaries, wages and benefits	8	184,068	170,011
Medical staff remuneration		33,776	34,172
Medical and surgical supplies		21,134	19,727
Drugs		20,358	16,794
Equipment, maintenance and utilities		17,654	19,096
Other supplies and services		26,847	24,807
Specifically funded programs	10	8,534	8,247
Amortization of capital assets		27,414	29,674
		339,785	322,528
Excess of revenue over expenses		8,805	8,630
Net assets, beginning of year		35,780	27,150
Net assets, end of year		44,585	35,780

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

Royal Victoria Regional Health Centre**Statement of financial position**

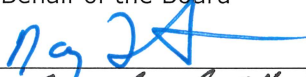
As at March 31, 2018


(In thousands of dollars)

	Notes	2018	2017
			(Note 15)
		\$	\$
Assets			
Current assets			
Cash	3	71,175	74,816
Accounts receivable	4	14,224	13,969
Inventories		1,670	1,584
Prepaid expenses		3,187	3,588
		90,256	93,957
Investment in joint venture	9 (c)	161	161
Capital assets	5	361,136	358,229
		451,553	452,347
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	76,187	75,340
Deferred capital contributions	7	320,790	331,524
Employee future benefits	8	9,991	9,703
		406,968	416,567
Contingencies	12		
Net assets		44,585	35,780
		451,553	452,347

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

As at March 31, 2018

(In thousands of dollars)

	Notes	2018	2017
			(Note 15)
		\$	\$
Operating activities			
Excess of revenues over expenses		8,805	8,630
Items not affecting cash			
Loss on disposal of capital assets		241	581
Amortization of capital assets		27,414	29,674
Amortization of deferred capital contributions		(19,955)	(24,481)
Deferred contributions recognized as revenue		(16)	(461)
Employee post-retirement benefits expense		510	488
Change in non-cash working capital	11	877	10,006
		17,876	24,437
Capital activities			
Additions to capital assets		(30,670)	(16,478)
Proceeds on disposal of capital assets		108	—
		(30,562)	(16,478)
Financing activities			
Increase in deferred capital contributions		9,237	4,285
Contributions to employee post-retirement benefits		(192)	(179)
		9,045	4,106
(Decrease) increase in cash during the year		(3,641)	12,065
Cash, beginning of year		74,816	62,751
Cash, end of year		71,175	74,816

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

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2018

(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, 2018

(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, 2018. 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	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, 2018

(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, 2018 (prime less 0.25% and unused in 2017). These facilities are unsecured and are due on demand.

4. Accounts receivable

	2018	2017
	\$	\$
MOHLTC/NSMLHIN	3,371	3,204
Cancer Care Ontario	2,869	1,262
The Royal Victoria Regional Health Centre Foundation	346	616
Other	7,638	8,887
Balance, end of year	14,224	13,969

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2018

(In thousands of dollars)

5. Capital assets

	2018		2017
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	2,097	—	2,097
Buildings and building components	293,561	61,736	231,825
Building service equipment	144,093	67,395	76,698
Equipment	149,958	112,636	37,322
Land improvements	11,294	8,147	3,147
Projects in progress	10,047	10,047	9,249
	611,050	249,914	361,136

6. Accounts payable and accrued liabilities

	2018	2017
	\$	\$
MOHLTC/NSMLHIN	9,703	13,294
Cancer Care Ontario	745	212
Payroll related liabilities	24,943	20,433
Other accounts payable and accrued liabilities	20,390	22,453
Deferred revenue	20,406	18,948
Balance, end of year	76,187	75,340

7. Deferred capital contributions

	2018	2017
	\$	\$
Balance, beginning of year	331,524	352,181
Additional contributions	9,237	4,285
Amounts amortized to revenue	(19,955)	(24,481)
Amounts recognized as revenue	(16)	(461)
Balance, end of year	320,790	331,524

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2018

(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 \$12,669 (\$12,439 in 2017), of which \$12,211 (\$11,930 in 2017) is included in salaries, wages and benefits expenses, \$417 (\$412 in 2017) is included in specifically funded programs expenses in the statement of operations, and \$41 (\$97 in 2017) is included in capital assets.

The most recent actuarial valuation of the plan as at December 31, 2017 indicates the Plan is 122% (122% in 2016) 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	3.3% (3.30% in 2017) per annum
Dental benefits cost escalation	3.25% (3.25% in 2017) per annum
Extended healthcare cost escalation annum to	5.50% (5.75% in 2017) decreasing by 0.25% per ultimate rate of 4% per annum

Included in salaries, wages and benefits in the statement of operations is an amount of \$510 (\$488 in 2017) regarding non-pension benefit expense.

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2018

(In thousands of dollars)

8. Employee future benefits (continued)

(b) Other employee future benefits (continued)

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.

(i) The accrued non-pension liability as at March 31, 2018 is calculated as follows:

	2018	2017
	\$	\$
Accrued benefit liability, beginning of year	10,082	9,773
Expense	510	488
Funding contributions	(192)	(179)
Accrued benefit liability, end of year	10,400	10,082
Less: current portion included in accounts payable and accrued liabilities	(409)	(379)
Long-term portion	9,991	9,703

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

	2018	2017
	\$	\$
Accrual for services	398	391
Interest on accrued benefits	264	246
Amortization of Actuarial gains during the period	(152)	(149)
Expense for the year	510	488

(iii) The accrued benefit liability as at March 31, 2018 is calculated as follows:

	2018	2017
	\$	\$
Accrued benefit obligation	8,159	7,589
Unamortized actuarial gains	2,241	2,493
	10,400	10,082

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.

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2018

(In thousands of dollars)

9. Related entities (continued)

(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, 2017, an amount of \$ 39,274 (\$35,288 as at December 31, 2016) of the Foundation's net assets is subject to restricted use or conditions imposed by donors.

During the year the Foundation contributed \$1,288 (\$469 in 2017) 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 \$379 (\$490 in 2017) for small equipment and educational purposes.

(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 2017) 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 \$465 (\$432 in 2017) are included in other revenue on the statement of operations. Amounts due from ProResp Inc. in the amount of \$400 (\$400 in 2017) are included in accounts receivable on the statement of financial position.

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

Effective March 26, 2008, the Health Centre entered into an agreement with COHPA, an independent non-profit corporation, the members of which consisted of six hospitals, including the Health Centre. COHPA's primary responsibility was to provide contract management, purchasing, and accounts payable to its members on a cost-recovery basis. Effective June 23, 2017, COHPA integrated with Plexxus, another not-for-profit shared service organization. The equity membership in COHPA was dissolved and the Health Centre now purchases the same services from Plexxus as a shared services customer.

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

March 31, 2018

(In thousands of dollars)

10. 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, 2018, the Health Centre has included in accounts payable an amount of \$969 (\$607 in 2017) as due to the MOHLTC and other agencies and has included in accounts receivable an amount of \$52 (\$57 in 2017) as due from the MOHLTC and other agencies related to these programs.

	2018	2017
	\$	\$
Revenue		
Community Mental Health and Addictions Program	3,949	3,791
Primary Care Asthma Program	58	57
Children's Speech and Language Program - Ministry of Community and Social Services	220	219
Children's Speech and Language Program - County of Simcoe	810	810
Other Programs	3,907	3,158
	8,944	8,035
Expenses		
Community Mental Health and Addictions Program	3,938	3,973
Primary Care Asthma Program	58	57
Children's Speech and Language Program - Ministry of Community and Social Services (10(b))	220	219
Children's Speech and Language Program - County of Simcoe	810	810
Other Programs	3,508	3,188
	8,534	8,247

- (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.

	2018	2017
	\$	\$
Salaries and benefits	181	181
Other service costs	26	25
Allocated central administration	13	13
	220	219

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

March 31, 2018

(In thousands of dollars)

11. Net change in non-cash working capital balances

	2018	2017
	\$	\$
Accounts receivable	(255)	2,358
Inventories	(86)	(232)
Prepaid expenses	401	(816)
Accounts payable and accrued liabilities	817	8,696
	877	10,006

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. 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, 2018, 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. The last assessment was received in June 2017, as at December 31, 2016 and is not in a deficit position.

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:

	2018	2017
	\$	\$
Funding from MOHLTC	7,711	7,620
Other revenue	232	211
	7,943	7,831
Medical staff remuneration		
Payments to physicians	7,893	7,781
Administration	50	50
	7,943	7,831
	—	—

Royal Victoria Regional Health Centre

Notes to the financial statements

March 31, 2018

(In thousands of dollars)

13. 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:

	2018	2017
	\$	\$
Funding from MOHLTC	2,944	2,944
Medical staff remuneration		
Payments to physicians	2,944	2,944
	—	—

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.

15. Comparative figures

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