REPORT OF THE ANNUAL

FINANCIAL AFFAIRS

YEAR ENDED MARCH 31, 2016

Kingston General Hospital

Outstanding care, always™

KINGSTON GENERAL HOSPITAL
Report of the Annual Financial Affairs
For the year ended March 31, 2016

KINGSTON GENERAL HOSPITAL

Management Discussion and Analysis (unaudited)
For the year ended March 31, 2016

The objective of the Management Discussion and Analysis is to help readers of the Financial Statements of Kingston General Hospital (KGH), better understand the financial position and operating activities for the fiscal year ended March 31, 2016. This analysis should be read in conjunction with the audited financial statements and the accompanying notes to the statements.

The management of KGH acknowledges that it is our responsibility to provide appropriate information systems, procedures and controls to ensure that the information in the financial statements and this report is complete and reliable. This is done under the oversight of the Board of Directors and the Finance and Audit Committee of the hospital.

Overview

Kingston General Hospital is southeastern Ontario's centre for tertiary complex-acute and specialty care, and home to the Cancer Centre of Southeastern Ontario. KGH serves almost 500,000 people through its Kingston facility and 24 regional affiliate and satellite sites. Together, approximately 4,000 staff, physicians and volunteers partner with patients and families to deliver upon our aim of *Outstanding Care, Always.*

We have made great strides to improve the financial health of our organization. Over the past seven years we have sustained balanced operating financial results while addressing inflationary cost pressures and the impact of Health System Funding Reform (HSFR). Capacity to invest in the ongoing replacement of patient care equipment, technology, and building infrastructure renewal has increased. Our working capital position is positive.

Prior to fiscal 2013, the Ministry of Health and Long-Term Care (Ministry) funded hospitals on the basis of how much they had received in the previous year. Commencing April 1, 2012, the Ministry began to reform the funding methodology (HSFR) so that some funding would be based on forecasted population growth, past usage of health services, the number of people cared for, and the services provided. Fiscal 2016 (the year ended March 31, 2016) was the fourth year operating under this new funding model.

For KGH, the application of the funding methodology in fiscal 2016 further reduced the hospital annual operational funding by approximately $5.0 million. This funding reduction came at the same time, for the fourth consecutive year, that hospitals did not receive funding to offset the cost of inflationary factors on hospital operating costs. By engaging everyone who works, learns and volunteers at KGH, the hospital was able to identify and implement solutions to these financial challenges while continuing to provide safe, high quality, patient and family-centred care.

For the year ended March 31, 2016, the hospital reported a surplus of revenue over expenses before building amortization of approximately $18 million. Approximately $5 million of this favourable fiscal result was due to the recognition of higher than planned funding for specific patient care activity volumes.

The remaining approximate $13 million resulted from amounts provisioned from the operating budget to provide for capital expenditure. The total surplus of revenue over expenditures for the year was approximately $16 million after the inclusion of building amortization expense.

Financial Analysis of the Hospital

The assets of the hospital exceeded its liabilities at the end of the most recent fiscal year by $62.7 million (net assets). The analysis below focuses on the change in net assets during fiscal 2016.

($000's)	Unrestricted	Invested in Capital Assets	Total
Balance, beginning of year	21,659	25,010	46,669
Excess of revenue over expenses	23,727	(7,695)	16,032
Net change in investment in capital assets	(10,451)	10,451	-
Balance, end of year	34,935	27,766	62,701

Total net assets increased during the year primarily due to the impact of the hospital's surplus position. The portion of net assets invested in capital assets increased from $25.0 million to $27.8 million this year. This increase corresponds to the increase in capital asset expenditures less the increase in amortization, repayment of long-term debt, and amounts funded by deferred contributions and reflects the hospital's strategic decision to invest operating funds in capital assets.

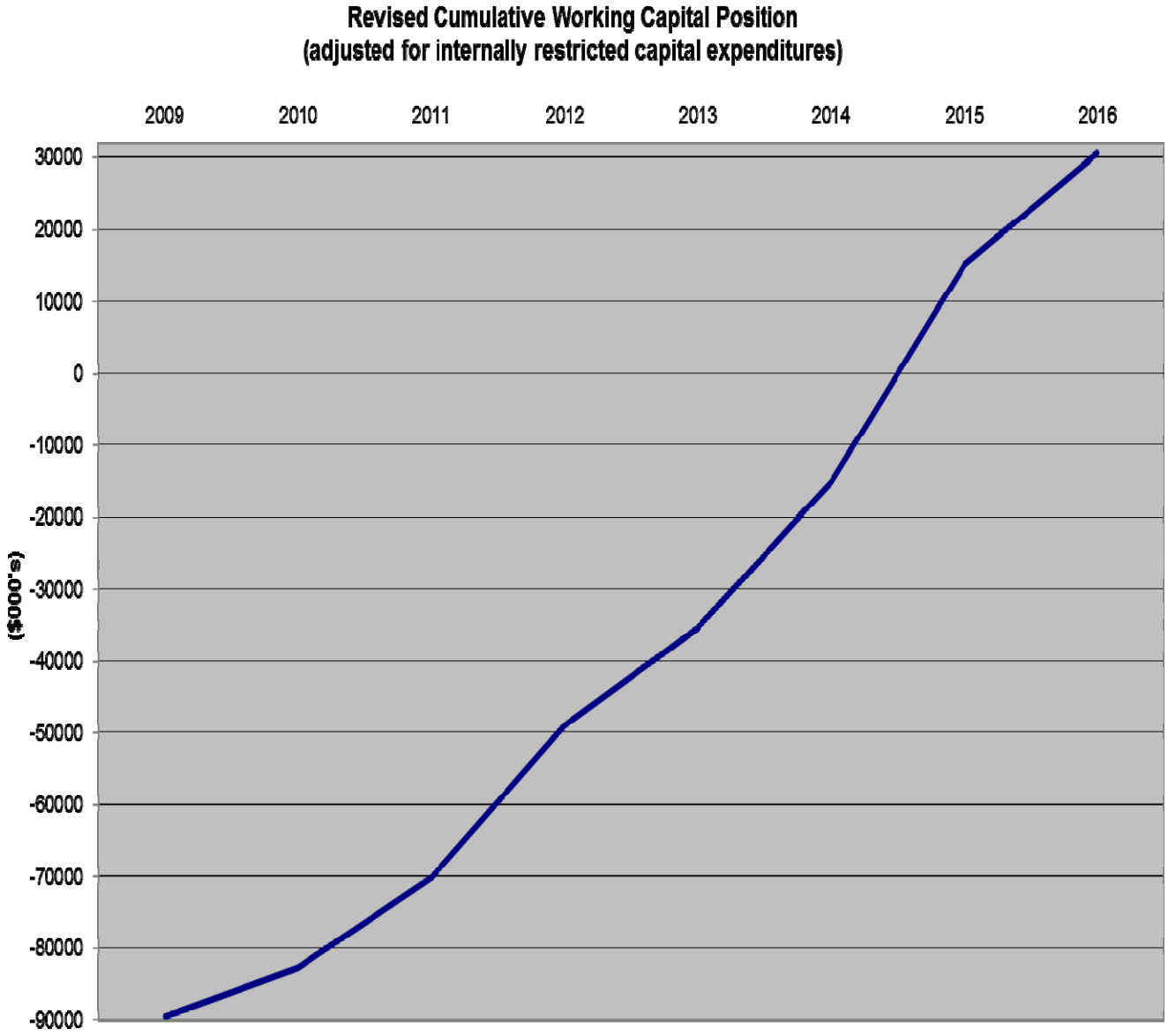
Working Capital

Working capital is a reflection of an organization's ability to meet its short-term financial obligations and is defined as an excess of current assets over current liabilities. As at March 31, 2016 the hospital's total working capital position was positive at approximately $62.0 million; an increase of $5.1 million from the previous year-end position. It is important to note that during the year the hospital utilized $5.3 million in cash (otherwise part of the working capital calculation) to purchase additional investment assets being held for a future replacement of health information systems technology. Current assets include cash of approximately $46.4 million that cannot be used for hospital operational activities. This amount includes $25.4 million for approved capital expenditures, $13.5 million provisioned for recoverable and deferred liabilities and $7.5 million designated for research projects facilitated through the Kingston General Hospital Research Institute.

The hospital did not make any draw upon its operating line of credit in fiscal 2016 ($30 million borrowing capacity).

The audited Consolidated Statement of Cash Flows reflects the changes in the cash components of working capital. Changes in non-cash working capital items are detailed in note 13 of the accompanying Notes to Consolidated Financial Statements.

As the hospital internally restricts cash for all approved capital expenditures not completed by the end of the fiscal year, and specific restricted operational liabilities, the revised working capital figures depicted below more accurately represent the working capital position. This revised depiction indicates an adjusted positive working capital position for the second year in a row. This calculation also includes amounts held as other investments ($13.3 million) in alignment with the Ministry calculation for adjusted working capital.



2009	($89.6M)	2011	($70.2M)	2013	($35.4M)	2015	$15.1M
2010	($82.7M)	2012	($50.0M)	2014	($15.1M)	2016	$30.6M

Long-term Debt

KGH has a conservative approach to taking on new long-term debt. In March 2012, the Board proactively approved the investment of $5.7 million of surplus cash to fund future long-term debt liabilities maturing in 2016/2017 relating to infrastructure investments made in 2006/2007 that did not have associated dedicated funding. In fiscal 2016, taking advantage of low borrowing rates, KGH refinanced $3.2 million of this maturing long-term debt in order to re-provision an equal amount to provide internal financing capacity for future business systems replacement anticipated from the Health Care Tomorrow - Hospital Services project (HCT).

Included in the total long-term debt outstanding of approximately $9.3 million at the end of the recent fiscal year, is the outstanding portion of debt incurred in 2012 ($7.8 million) to support an energy retro-fit project. The payments on this debt are supported by a contractual guarantee of reductions in energy costs over the 15 year amortization period of the loan. The energy savings are being achieved.

Investment in Capital Assets

In 2010 KGH developed a long-range capital plan which indicated a need to invest at least $20 million per year in order to provide for the ongoing replacement of existing patient care equipment, technology and facilities infrastructure. Supported by increased funding from the Ministry Health Infrastructure Renewal Fund (HIRF) and ongoing support from the KGH Auxiliary and donors to the University Hospitals Kingston Foundation, (refer to note 14 in the accompanying Notes to Consolidated Financial Statements) this level of funding for fiscal 2016 capital replacement capacity was exceeded (achieved capacity of $21.4 million). Cash to complete all capital expenditures approved to date has been internally restricted for this purpose.

During the fiscal year, the hospital accounted for the purchase of approximately $20.3 million of capital assets (approved in previous and current year). Expenditures occurred in the following categories:

Patient care and non-clinical equipment	$10.0 million
Information management systems	$ 1.8 million
Facilities infrastructure/renovations	$ 8.5 million

During the year, $13.3 million of the above capital expenditures were reported as funded through the use of deferred capital contributions (donations or grants).

Operating Revenues

Kingston General Hospital is funded by the Province of Ontario in accordance with funding policies established by the Ontario Ministry of Health and Long-Term Care, Cancer Care Ontario, and the South East Local Health Integration Network (SE-LHIN).

The hospital is required to annually execute the Hospital Services Accountability Agreement (H-SAA) with the SE-LHIN. This agreement sets out the rights and obligations of the two parties and sets standards, targets and performance expectations for the funding provided. If the hospital does not meet certain performance standards or obligations, the SE-LHIN has the right to adjust some funding streams received by the hospital.

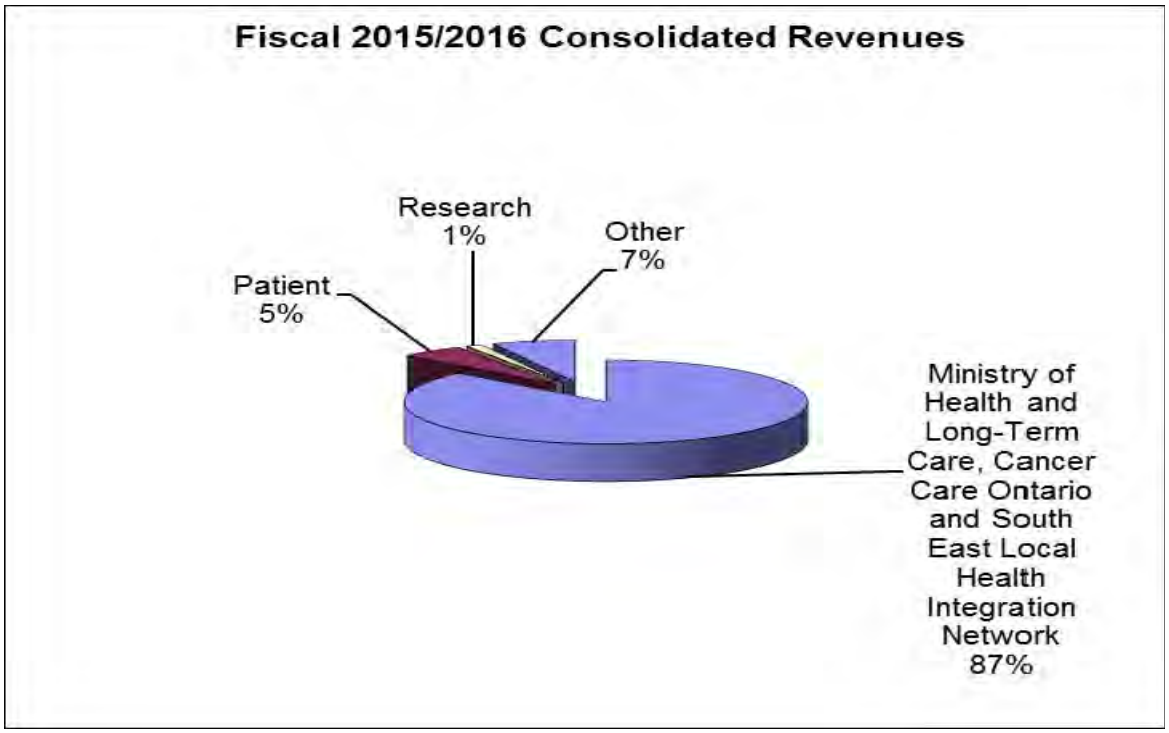
Given that all funding adjustments are not finalized until after the submission of year-end data, the amount of revenue recognized in these financial statements includes management's best estimates of amounts that may become payable.

At approximately $401 million, funding from provincial government sources is the hospital's most significant source of income, representing 87% of total operating revenue in fiscal 2016 (consistent with the previous year).

Approximately $24 million is classified as patient care revenue. This funding source includes revenue from diagnostic imaging billings, preferred accommodation charges, co-payment fees (for patients designated as alternate level of care (ALC), and revenue generated from the provision of services to patients not covered by OHIP (Ontario Health Insurance Plan).

The consolidated financial results of Kingston General Hospital include those of the Kingston General Hospital Research Institute, which is controlled by Kingston General Hospital. The approximate $5 million of research revenue includes support provided by the hospital for administrative infrastructure and the expenses for research activities performed under the oversight of this organization.

Other revenue generated to support the provision of patient care includes amounts derived from ancillary services such as parking and occupancy rental fees for third-party operated retail services (approximately $5 million) and investment income (approximately $1 million). One-time non-recurring miscellaneous revenues and recoveries for services provided to parties external to the hospital contributed approximately $19 million. Amortization of deferred capital grants contributes the balance of the other revenue category.



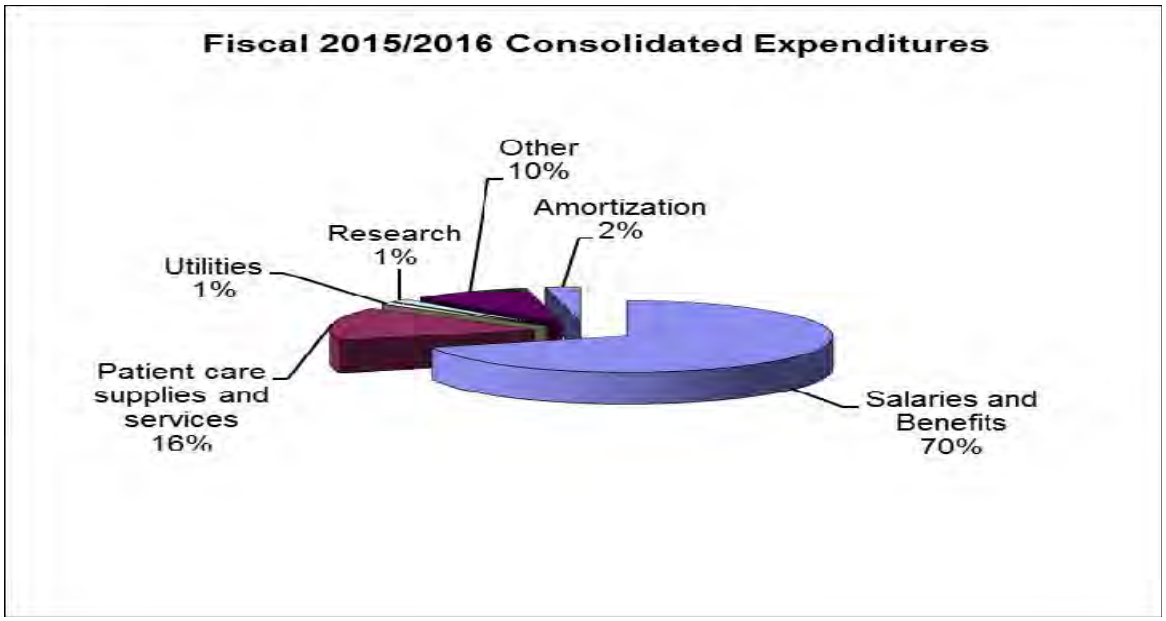
Revenues	$000's
Ministry of Health and Long-Term Care, Cancer Care Ontario, South East Local Health Integration Network	$ 401,036
Patient	23,580
Research	4,758
Other	31,939
Total revenues	$ 461,313

Operating Expenditures

A hospital is made up of much more than bricks, mortar and medical equipment. It takes people to deliver *Outstanding Care, Always* so it's no surprise that the single largest operating expense is for compensation related expenses. At approximately $310 million, salaries and benefits cost increased approximately $4 million or 1.26% over the previous fiscal year. This included accommodating inflationary salary increases for hospital employees and medical residents.

Patient care and supplies expense totaled approximately $68 million for fiscal 2016. This cost decreased by approximately $1 million over the prior year. Savings resulting from competitive procurement processes assisted in lowering this operating cost.

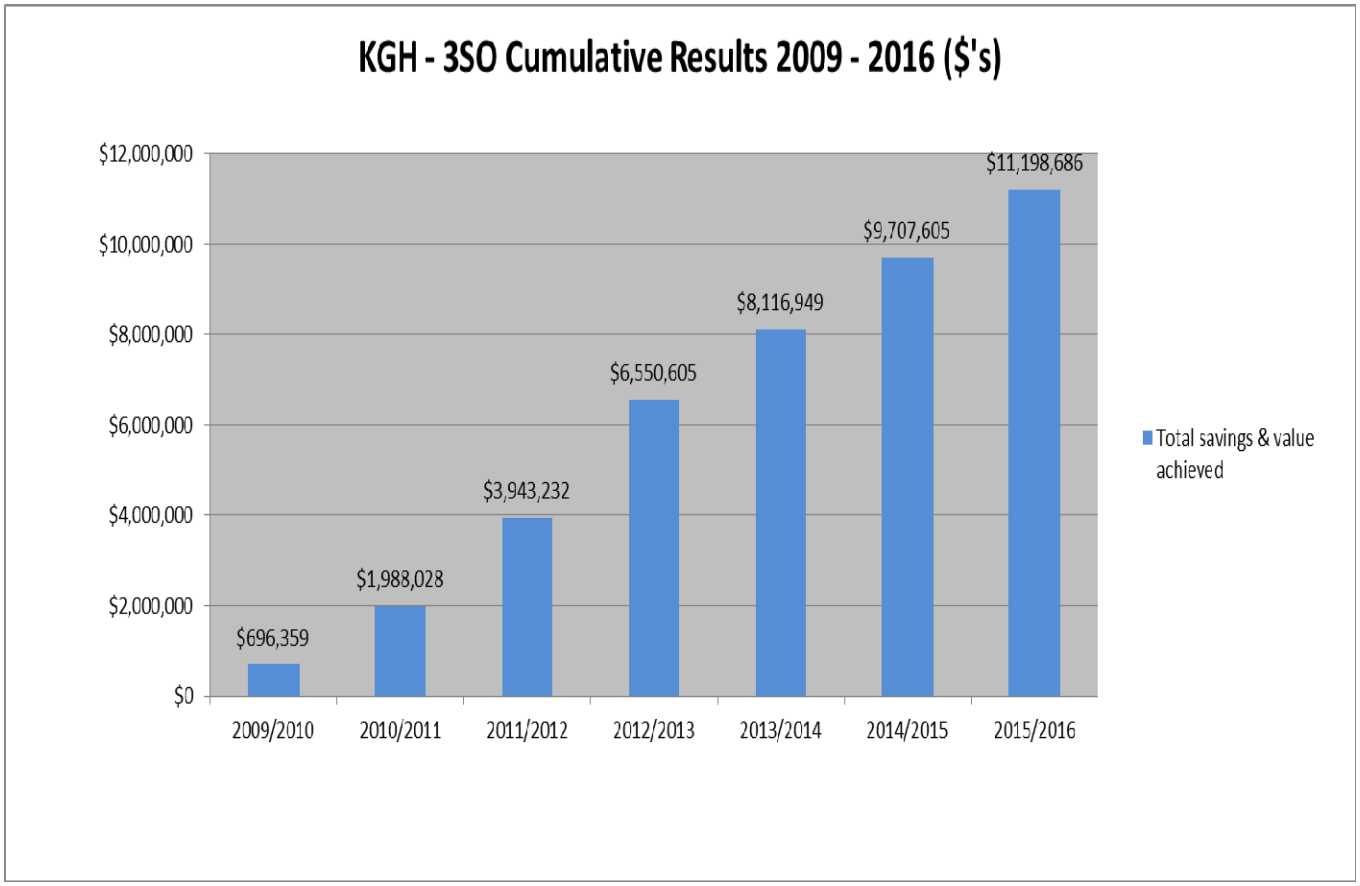
Administrative and support services expenses such as professional fees, general supplies, insurance and facilities related operating costs are included in the other expense category. Also reported in this category are $516 thousand of interest expense on long-term debt obligations and $352 thousand bad debts expense. The increased cost in this category, over the prior fiscal year, is attributable to higher expenses for minor capital purchases (individual cost less than $5,000) and expensed capital purchases for the Ventilator Equipment Pool managed by the hospital on behalf of the Ministry.



Expenditures:	$000's
Salaries and benefits	$ 310,137
Patient care and supplies	67,949
Utilities	4,579
Research	6,613
Other	41,795
Amortization	12,197
Total operating expenses	$ 443,270

Kingston General Hospital is a member of Shared Support Services of Southeastern Ontario (3SO) which was formed to undertake procurement services and provide the management oversight to inventory, and supply change processes for the seven hospitals within the South East Local Health Integration Network.

The following chart indicates the cumulative savings and value achieved facilitated by 3SO in collaboration with KGH leadership since the inception of this organization.



Human Resources

Turning our hospital into a positive, dynamic and healthy workplace is a top priority. During this past fiscal year we launched a Leading a Mentally Healthy Workplace Certificate program, supported attendance at the Rotman Advanced System Leadership program and rolled out our new frontline and emerging leaders training program known as LIFT. We continued to reinforce the importance of completing performance plans as a way of improving employee engagement, growth and development.

As at March 31, 2016 the hospital employed 3,669 individuals, slightly higher than the previous year (2015 – 3,653). The workforce total increases to 4,151 when including medical residents.

KGH has a high percentage of unionized staffing; 91.4% of staff as at March 31, 2016 was represented by union organizations (2015 – 91.2%). Staff employed fulltime was 60.1% (2015 – 59.8%).

Operational Efficiency

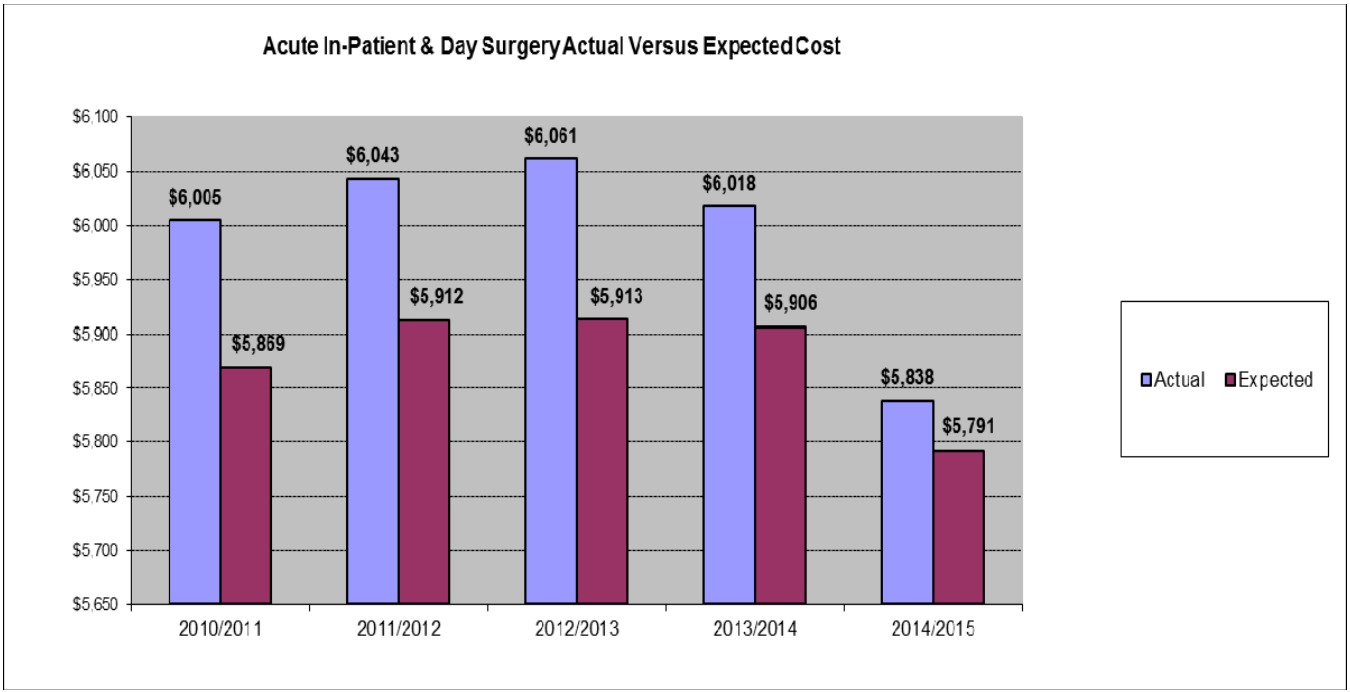
There are two financial performance indicators included in the fiscal 2016 H-SAA.

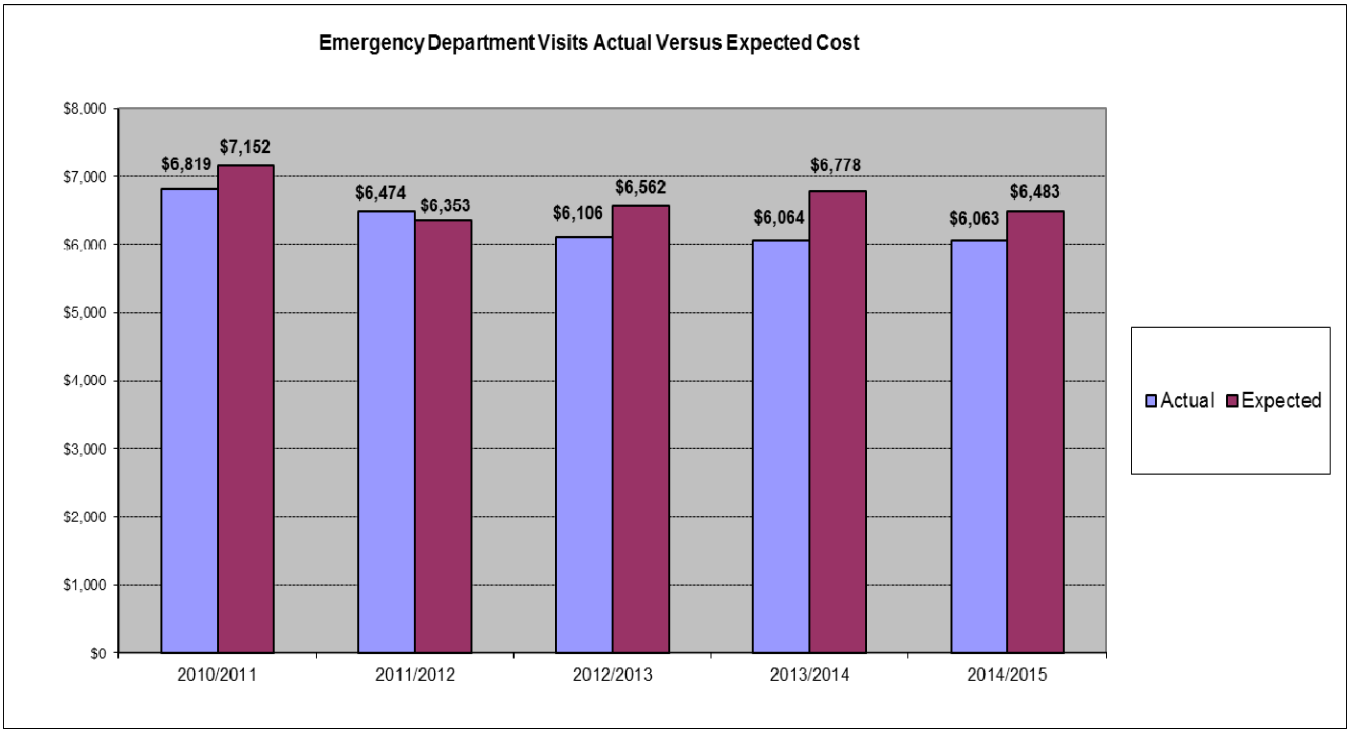
The current ratio is a measure of the organization's ability to meet its current liabilities utilizing its short-term assets (the sum of cash, accounts receivable, inventory, etc.) and is calculated by dividing the total of current assets by the total of current liabilities. A current ratio less than 1.0:1 could signal issues, such as an inability to meet commitments as they come due and/or ability to meet emerging operational pressures. The acceptable Ministry target for this ratio is between 0.8:1 and 2.0:1. The hospital met the current ratio target for fiscal 2016. The $62.0 million total working capital surplus as at March 31, 2016 translates to a current ratio of 1.93:1.

The second financial performance indicated in the fiscal 2016 H-SAA is the total margin percentage. The total margin measures total operating revenues in excess of total operating expenses and is calculated by dividing the operating surplus by total operating revenue. It is a measure of management's efficiency and the hospital's ability to live within available resources during a specific operating fiscal year. KGH's total margin at March 31, 2016 was 4.06%; slightly in excess of the high end of the Ministry target for this indicator of between 0% - 3%.

HSFR allocates a portion of hospital funding utilizing the Health Based Allocation Methodology (HBAM) which compares actual cost to expected cost. The following charts represent Kingston General Hospital's actual versus expected cost performance for the two categories of patient based activity funded in this manner, for the last five fiscal years for which complete data is available.

For all years represented, the hospital incurred actual costs for total in-patient and day surgery cases in excess of expected costs. The KGH actual cost per case decreased in 2015 from the previous year, narrowing the gap between actual and expected cost from -1.9% in fiscal 2014 to -0.8% (approximate $2.0 million gap). The fiscal 2015 HBAM performance results will be utilized to inform fiscal 2017 hospital funding. The hospital continues to focus efforts to bring its actual costs for this patient care population in-line with expected results.





Activity in the Emergency Department is costed from the initial registration of the patient through to discharge or the point in time that a decision is made to admit as an inpatient. The cost has remained relatively constant in the last three years and is within the funding allocation.

The HBAM sets expected expenses at actual expense for the remaining patient care categories (i.e. inpatient mental health and all outpatient activity including dialysis and oncology).

Patient activity volumes

Quality Based Procedures (QBP's) funding is the second component of HSFR aligned to patient activity. For this element of the funding model, the Ministry stipulates the volumes and price of each specific procedure to be funded for a hospital.

The following highlights Quality Based Procedures volume over the last four years. No comparative information is provided for QBP's in the year they are introduced.

	2016	2015	2014	2013
Hip & knee replacement	**603**	**602**	**557**	**573**
Stroke care	**374**	**361**	**318**	**282**
Non-cardiac vascular disease	**101**	**107**	**89**	**77**
Congestive heart failure	**364**	**371**	**340**	**372**
Chronic obstructive pulmonary disease	**502**	**481**	**401**	**477**
GI endoscopy	**1,898**	**1,994**	**2,597**	**2,381**
Systemic therapy – treatment & supportive	**16,889**	**17,535**	**17,230**	**15,397**
Hip fracture	**256**	**246**		
Neonatal jaundice	**101**	**102**		
Pneumonia	**267**	**312**		
Tonsillectomy	**1**			
Knee arthroscopy	**24**			
Colorectal & prostate cancer surgery	**138**			

As with the prior years, patient activity in fiscal 2016 exceeded the total funded volume for all QBP procedures.

As it relates to the QBP activity volumes above, the following are of note:

Stroke care: Increased cases can be attributable in part to changes aligned with best practice stroke care as well as a naturally occurring growth rate due to an aging population.

GI Endoscopy: The decrease in the current year is due to a change in the methodology criteria for reporting cases.

The volume variability across the years for the remaining QBP's is primarily based on patient population.

A key cost driver in the organization is the volume of patient activity provided. The following highlights changes in key activity levels over the last four years:

	2016	2015	2014	2013
Inpatient stays (includes births)	**22,818**	**22,525**	**22,309**	**21,108**
Births	**2,004**	**1,935**	**1,958**	**1,974**
Emergency Department visits	**58,834**	**56,643**	**53,954**	**53,479**
Cancer Centre visits	**90,562**	**84,363**	**77,847**	**72,862**
All other ambulatory visits	**118,514**	**109,303**	**105,225**	**150,332**
Operative cases	**8,989**	**9,126**	**9,118**	**8,995**
Acute average length of stay	**5.9**	**6.1**	**6.2**	**6.5**
Imaging Exams	**128,597**	**125,219**	**119,695**	**121,545**
Clinical laboratories tests	**2,765,648**	**2,706,691**	**2,674,530**	**2,537,123**

As it relates to the activity volumes above, the following are of note:

Inpatient stays: Occupancy was consistently high during the year and the acute length of stay improved. The number of cases remained relatively unchanged from the prior year due to the non-acute patients awaiting transfer to other care facilities.

Cancer Care Centre Visits: The increase is primarily radiation therapy clinic and treatment visits.

Emergency Department Visits: Emergency Department visits increased approximately 4% from the prior year level. The change in hours at Hotel Dieu Urgent Care Centre continue to impact volumes after 7 pm with a 10% increase in lower acuity visit levels.

All other ambulatory visits: The increase over the prior year reflects growth in chronic kidney disease hemodialysis visits, and a full year of activity in the Mental Health Intensive Transitional Treatment clinic (opened mid-year in fiscal 2016).

Operative cases: Cancellation rates decreased as a result of planned Operating Room closures. High occupancy rates contributed to a drop in total cases

Acute average length of stay: The length of stay continues to trend lower; KGH is 0.2 of a day below its expected length of stay. There was a 9% increase in patients in the hospital awaiting access to non-acute care facilities.

Imaging exams: Ultrasound exams increased as a result of process improvements; continued increased activity for breast cancer screening.

Clinical laboratories tests: Increase in test volume related to overall increase in patient activity, as well as increased service within the region.

Outlook for 2016/17

In January of 2016 KGH submitted our annual Hospital Annual Planning Submission (HAPS) to the SE-LHIN aligned to our approved operating and capital budgets for fiscal 2017.

The balanced operating budget assumed that the Ministry would not be providing any additional funding to hospitals to offset rising costs due to inflation for next fiscal year. Approximately $11 million of new revenue generating and cost savings efficiencies were incorporated into the operating budget to address the anticipated unfunded inflationary factors, changes under HSFR for the current fiscal year and new investments required to continue to support the delivery of safe, and quality patient care. Unfortunately this amount only allowed us to target the initial level of capital investment capacity for the upcoming fiscal year at $19 million.

Subsequent to the HAPS submission, hospitals in Ontario received notification of an inflationary increase in funding for fiscal 2017. For KGH this inflationary increase totals approximately $1.9 million. The hospital will align this inflationary funding to increase the fiscal 2017 capacity for investment for the replacement of technology, patient care equipment, and building infrastructure at the level achieved in the prior year ($21 million).

Hospitals also received the results of the re-calculated HBAM component of the funding formula. This significant adjustment was undertaken by the Ministry to address issues in the methodology design and implementation, including issues identified by hospitals (KGH among them) since it was established four years ago. For KGH this total adjustment amounted to approximately $4 million, with 50% of this increased funding being provided in fiscal 2017. As the original fiscal 2017 HAPS submission had limited capacity for deviations from the budget plan, the hospital will be provisioning this additional funding and KGH's favourable performance on the total QBP funding component, to offset any higher than planned patient care activity and aligned operating cost pressures that may occur in the next fiscal year.

People from all over the hospital will also be busy this coming year providing input on the Health Care Tomorrow - Hospital Services project as it steps up its efforts to find new ways for hospitals in our region to come together to improve access to care and use the resources entrusted to us more efficiently.

Summary

Guided by our aim of achieving *Outstanding Care, Always* Kingston General Hospital is committed to focused and effective management of our fiscal resources. We will undertake to sustain our organization's strong financial health in the year ahead.

Financial Results Summary

$ millions	Fiscal 2016	Fiscal 2015	Fiscal 2014	Fiscal 2013	Fiscal 2012
Operating Results					
Revenue	461.3	469.3	453.0	448.1	429.7
Expense	(443.3)	(438.7)	(423.8)	(426.8)	(407.0)
Excess of revenue over expenses - operations	18.0	30.6	29.2	21.3	22.7
Building Amortization					
Revenue	17.9	17.5	16.3	16.1	7.4
Expense	(19.9)	(19.4)	(18.8)	(18.5)	(9.7)
Deficiency of revenue over expenses - building amortization	(2.0)	(1.9)	(2.5)	(2.4)	(2.3)
Total surplus position	16.0	28.7	26.7	18.9	20.4

J. Neene Coghlan

J. Neene Coghlan, Chief Financial Officer

Jim Flett, Interim President and Chief Executive Officer

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Kingston General Hospital

We have audited the accompanying consolidated financial statements of Kingston General Hospital, which comprise the consolidated statement of financial position as at March 31, 2016, the consolidated statements of revenues and expenses, changes in net assets (deficiency), cash flows and remeasurement gains and losses for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Kingston General Hospital as at March 31, 2016, and its consolidated results of operations, consolidated changes in net assets (deficiency), consolidated cash flows and its consolidated remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

June 13, 2016

Kingston, Canada

KINGSTON GENERAL HOSPITAL
Consolidated Statement of Financial Position

as at March 31, 2016
(in thousands of dollars)

	2016 $	2015 $ (Recast note 19)
Assets		
Current assets		
Cash	51,590	35,298
Restricted cash	46,411	49,603
Accounts receivable	11,522	11,847
Due from Ministry of Health and Long-Term Care, South East Local Health Integration Network and Cancer Care Ontario	4,722	4,567
Inventories	6,214	5,783
Other current assets	7,782	4,948
	128,241	112,046
Other investments (note 3)		
Restricted capital	13,326	10,717
Other	-	99
Investments in joint ventures (note 4)	3,070	3,058
Capital assets, net (note 5)	282,534	294,624
	427,171	420,544
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	38,115	30,914
Accrued compensation	25,555	21,299
Note payable - KGH Auxiliary (note 14(b))	400	400
Agency obligations (note 6)	487	833
Current portion of long-term debt (note 7)	1,722	1,702
	66,279	55,148
Long-term debt (note 7)	7,590	11,829
Employee future benefits (note 8)	27,995	26,927
Interest rate swaps (note 7)	607	285
Deferred contributions (note 9, 10, and 11)	261,858	279,172
Net assets		
Invested in capital assets (note 5)	27,766	25,010
Unrestricted	34,935	21,659
	62,701	46,669
Accumulated remeasurement gains	141	514
	62,842	47,183
Commitments (note 12)		
Contingencies (notes 15 and 16)		
	427,171	420,544

See accompanying notes.

On behalf of the board:

Member

Member

KINGSTON GENERAL HOSPITAL
Consolidated Statement of Revenues and Expenses

for the year ended March 31, 2016
(in thousands of dollars)

	2016 $	2015 $ (Recast note 19)
Revenues		
Inpatients		
Ministry of Health and Long-Term Care, South East Local Health Integration Network and Cancer Care Ontario	354,277	366,698
Other	9,117	8,431
Outpatients	14,463	14,097
Clinical education and other programs	46,759	44,245
Marketed services	4,809	5,397
Recoveries and other revenue	19,389	17,882
Investment income	1,228	1,123
Research	4,758	5,360
Amortization of deferred capital contributions-major equipment	6,513	6,095
Total revenues	461,313	469,328
Expenses		
Salaries and benefits	310,137	306,267
Patient care supplies and services	67,949	69,226
Utilities	4,579	5,717
Interest	516	632
General	41,279	39,515
Research	6,613	6,795
Amortization of major equipment	12,197	10,620
Total expenses	443,270	438,772
Surplus of revenues over expenses before building amortization	18,043	30,556
Amortization of deferred capital contributions - building and land improvements	17,970	17,545
Amortization of building and land improvements	(19,981)	(19,443)
Surplus of revenues over expenses	16,032	28,658

See accompanying notes.

KINGSTON GENERAL HOSPITAL
Consolidated Statement of Changes in Net Assets (Deficiency)

for the year ended March 31, 2016
(in thousands of dollars)

	Unrestricted	Invested in Capital Assets	Total 2016 $	Total 2015 $ (Recast note 19)
Balance, beginning of year	21,659	25,010	46,669	18,011
Surplus (deficiency) of revenues over expenses (note 5)	23,727	(7,695)	16,032	28,658
Net change in investment in capital assets (note 5)	(10,451)	10,451	-	-
Balance, end of year	34,935	27,766	62,701	46,669

See accompanying notes.

KINGSTON GENERAL HOSPITAL
Consolidated Statement of Cash Flows

for the year ended March 31, 2016
(in thousands of dollars)

	2016 $	2015 $ (Recast note 19
Operating activities		
Surplus of revenues over expenses	16,032	28,658
Add (deduct) non-cash items		
Amortization of capital assets	32,178	30,063
Amortization of deferred capital contributions	(24,483)	(23,640)
Change in fair value of other investments	(51)	(38)
Loss (gain) disposition of capital assets	104	(4)
Change in non-cash working capital balances (note 13)	8,016	(14,469)
Increase in employee future benefits	1,068	806
(Decrease) increase in deferred contributions	(2,808)	835
	30,056	22,211
Capital activities		
Purchase of capital assets, net	(20,192)	(29,103)
Receipt of deferred capital contributions	9,977	20,340
	(10,215)	(8,763)
Financing activities		
Proceeds from long-term debt	3,184	-
Repayment of long-term debt	(7,403)	(1,630)
	(4,219)	(1,630)
Investing activities		
Purchase of investments, net	(2,510)	(4,470)
(Increase) decrease in investments in joint ventures	(12)	-
	(2,522)	(4,470)
Increase in cash during the year	13,100	7,348
Cash, beginning of year	84,901	77,553
Cash, end of year	98,001	84,901
Cash, end of year is represented by:		
Cash	51,590	35,298
Restricted cash	46,411	49,603
	98,001	84,901

See accompanying notes.

KINGSTON GENERAL HOSPITAL
Consolidated Statement of Remeasurement Gains and Losses

for the year ended March 31, 2016
(in thousands of dollars)

	2016 $	2015 $ (Recast note 19)
Accumulated remeasurement gains, beginning of the year	514	345
	514	345
Unrealized gains (losses) attributable to		
Other Investments		
Designated Fair Value	(145)	(4)
Equity Instruments	34	(34)
Derivatives	(322)	207
	(433)	169
Realized gains reclassified to consolidated statement of revenues and expenses		
Other Investments		
Equity Instruments	60	-
Net remeasurement gains (losses) for the year	(373)	169
Accumulated remeasurement gains, end of the year	141	514

See accompanying notes.

1. Nature of Operations

Kingston General Hospital (the "Hospital") provides a range of patient-centered programs and select specialty and complex acute care services primarily to the people of Southeastern Ontario. The Hospital also provides primary and secondary care to the population of the Kingston area and serves as a provincial resource in specific programs. The hospital supports the education and development of health care providers and advances health care services through related research activities.

Kingston General Hospital was originally incorporated under statutes of Province of Canada, Chapter 103, 1849 as The Board of Governors of the Kingston Hospital. Kingston General Hospital is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

The Kingston General Hospital Research Institute was incorporated without share capital under the laws of the Province of Ontario in November 2010. The Kingston General Hospital Research Institute is dedicated to building innovative partnerships and pursuing excellence in patient-oriented research through a collaborative approach that leverages the combined strengths of all partners in translating knowledge into effective therapies, treatments and best practices.

2. 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:

Ministry of Health and Long-Term Care, Cancer Care Ontario and South East Local Health Integration Network Funding

Kingston General Hospital is funded primarily by the Province of Ontario. These financial statements reflect agreed funding arrangements approved by the Ministry of Health and Long-Term Care, Cancer Care Ontario and the South East Local Health Integration Network with respect to the year ended March 31, 2016.

Principles of Consolidation

The consolidated financial statements of Kingston General Hospital include the accounts of the Kingston General Hospital and the Kingston General Hospital Research Institute which is controlled by Kingston General Hospital. All intercompany accounts and transactions are eliminated in consolidation.

Revenue Recognition

Kingston General Hospital follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions received for capital assets are deferred and amortized into revenue over the same term and on the same basis as the related capital assets.

Realized and unrealized investment income is recorded in deferred contributions to the extent there are external restrictions on the related investments. Unrestricted investment income is recognized as revenue when earned on the Consolidated Statement of Revenues and Expenses.

Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. Operating grants are recorded as revenue in the period to which they relate.

Revenue from all other sources is recognized when goods are sold or the service is provided.

Financial Instruments

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the Consolidated Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Consolidated Statement of Revenues and Expenses.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Consolidated Statement of Revenues and Expenses and any unrealized gain is adjusted through the Consolidated Statement of Remeasurement Gains and Losses.

When the asset is sold, the unrealized gains and losses previously recognized in the Consolidated Statement of Remeasurement Gains and Losses are reversed and recognized in the Consolidated Statement of Revenues and Expenses.

Long-term debt is recorded at cost. Interest rate swaps are recorded at fair value.

The Public Sector Accounting Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

Capital Assets

Purchased capital assets are recorded at original cost. The original cost does not reflect replacement cost or market value upon liquidation. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are expensed. Betterments, which extend the estimated life of an asset, are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value.

(in thousands of dollars)

Capital assets are amortized on a straight-line basis using the following annual rates:

Land improvements	4% - 10%
Buildings and building service equipment	2% - 10%
Major equipment	5% - 33%

Costs of work in progress are capitalized. Amortization is not recognized until project completion.

Contributed Services

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

Inventories

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

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenues and expenses during the year. Actual results could differ from those estimates**.**

Investments in Joint Ventures

The Hospital accounts for its investments in joint ventures using the equity method of accounting whereby the investments are carried at cost and adjusted for any contributions or withdrawals. Its share of the net earnings or losses of the joint ventures are reported in the Hospital's Consolidated Statement of Revenues and Expenses.

Employee Benefit Plans

(a) Multi-Employer Pension Plan

Kingston General Hospital participates in a defined benefit multi-employer pension plan. The plan is accounted for on a defined contribution plan basis as contributions to the benefit plan are determined by the plan administrator and are expensed when due. The most recent regulatory funding valuation of this multi-employer pension plan conducted as at December 31, 2014 disclosed actuarial assets of $53,873 million with accrued pension liabilities of $46,923 million, resulting in a surplus of $6,950 million. This filing valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2014 based on the assumptions and methods adopted for the valuation.

(b) Accrued Post-Employment Benefits

Kingston General Hospital accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care costs. The most recent actuarial valuation of the benefit plans for funding purposes was as of April 1, 2014, and the next required valuation will be as of April 1, 2017.

(in thousands of dollars)

Actuarial gains (losses) arise from changes in actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees.

The average remaining service period to retirement of employees covered by the employee benefit plan is 18 years (2015 – 18 years).

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

3. Other Investments

	Level	2016 $	2015 $
Fixed income investments, measured at fair value	2	13,326	10,745
Equity instruments, quoted in an active market	1	-	71
		13,326	10,816

Fixed income investments are comprised of Government of Canada bonds and guaranteed investment certificates. There were no transfers between Level 1 and Level 2 for the years ended March 31, 2016 and 2015. There were also no transfers in or out of Level 3.

4. Investments in Joint Ventures

(a) Investment in Queen's University and Kingston General Hospital Parking Commission

Kingston General Hospital has entered into a long-term agreement, as equal partner with Queen's University at Kingston, for the operations of the Queen's University and Kingston General Hospital Parking Commission (the "Commission"). The principal business activities include the operation of an underground parking garage. Kingston General Hospital's share of the Commissions' excess of revenue over expense for 2016 amounts to $502 (2015: $451) and has been included in the Consolidated Statement of Revenues and Expenses.

(b) Investment in Queen's University and Kingston General Hospital Cogeneration Facility

Kingston General Hospital participates in a joint venture with Queen's University at Kingston for the operation of a cogeneration facility governed by a Management Board consisting of representatives of Queen's University at Kingston and the Hospital. The purpose of the facility is to produce electricity and steam. The Hospital's net capital investment in the joint venture is $3,070 (2015: $3,058). Kingston General Hospital's proportionate share of the joint venture is 40% and Queen's University at Kingston's proportionate share is 60%. Kingston General Hospital's share of the facility's excess of revenue over expense is ($137) (2015: $180) and has been included in the Consolidated Statement of Revenues and Expenses.

(in thousands of dollars)

5. Capital Assets

Capital assets consist of the following:

	2016 $	2015 $
Land & land improvements	1,519	1,519
Buildings & building service equipment	417,406	410,978
Major equipment	196,561	187,519
Work in process	8,595	6,090
	624,081	606,106
Less accumulated amortization		
Land & land improvements	868	868
Buildings & building service equipment	187,912	167,931
Major equipment	152,767	142,683
	341,547	311,482
Net capital assets	282,534	294,624

Net assets invested in capital assets are calculated as follows:

	2016 $	2015 $
Balance, end of the year	282,534	294,624
Amounts financed by:		
Deferred contributions	(245,456)	(256,083)
Long-term debt	(9,312)	(13,531)
	27,766	25,010

The change in net assets invested in capital assets is as follows:

	2016 $	2015 $
Excess of expenses over revenues		
Amortization of deferred contributions related to capital assets	24,483	23,640
Amortization of capital assets	(32,178)	(30,063)
	(7,695)	(6,423)

	2016 $	2015 $
Purchase of capital assets	20,088	29,107
Amounts funded by:		
Deferred contributions	(13,287)	(38,306)
Proceeds of long-term debt	(3,184)	-
Repayment of long-term debt	7,403	1,630
Net disposal of capital assets	(569)	(889)
	10,451	(8,458)

(in thousands of dollars)

6. Agency Obligations

Kingston General Hospital acts as an agent, which holds resources and makes disbursements on behalf of various unrelated individuals and groups. Kingston General Hospital has no discretion over such agency transactions. Resources received in connection with such agency transactions are reported as liabilities not revenue and subsequent distributions are reported as decreases to this liability.

7. Long-Term Debt

	2016 $	2015 $
Bank term loan with interest at 4.85%, payable in monthly installments of $8 on account of principal and interest, due January 2017 (a)	-	584
Bank term loan with interest at 5.65%, payable in monthly installments of $39 on account of principal and interest, due June 2017 (b)	-	2,780
Bank term loan with interest at 2.85%, payable in monthly installments of $10 on account of principal and interest, due September 2020 (c)	500	-
Bank term loan with interest at 2.85%, payable in monthly installments of $47 on account of principal and interest, due September 2020 (d)	2,386	-
Bank term loan with interest at 4.33%, payable in monthly installments of $54 on account of principal and interest, due February 2017	582	1,191
Bank term loan with floating interest, payable in monthly installments of $24 on account of principal and interest, due March 2016	-	2,621
Bank term loan with floating interest, payable in monthly installments of $64 on account of principal and interest, due February 2022 (e)	5,844	6,355
	9,312	13,531
Less current portion of long term debt	(1,722)	(1,702)
	7,590	11,829

The Hospital has entered into an interest rate swap agreement to manage the volatility of interest rates. The maturity dates of the interest rate swaps are the same as the maturity dates of the associated long-term debt.

The fair value of the interest rate swaps at March 31, 2016 is ($607) (2015 - ($285)) which is recorded on the Consolidated Statement of Financial Position. The current year impact of the change in fair value of the interest rate swap is ($322) on the Consolidated Statement of Remeasurement Gains and Losses.

(in thousands of dollars)

The fair value of the interest rate swaps has been determined using Level 3 of the fair value hierarchy. The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(a) The loan was extinguished in October 2015 and replaced with a bank term loan maturing September 2020 (c).

(b) The loan was extinguished in October 2015 and replaced with a bank term loan maturing September 2020 (d).

(e) The outstanding loan amount is subject to an interest rate swap agreement on an original notional principal of $7,800 with the banker whereby the Hospital receives a floating interest rate while paying a fixed rate of 4.14%.

(f) The principal repayments due of long term debt for each of the five years subsequent to March 31, 2016 are as follows: 2017 - $1,722; 2018 - $1,181; 2019 - $1,223; 2020 - $1,266; and 2021 - $966.

(g) Interest on long-term debt in the amount of $516 (2015: $632) is included in interest expense in the Consolidated Statement of Revenues and Expenses.

8. Post-Employment Benefits

Pension Plan

Substantially all of the employees of Kingston General Hospital are members of the Healthcare of Ontario Pension Plan. Contributions to the plan made during the year by Kingston General Hospital on behalf of its employees amounted to $16,772 (2015: $16,535) and is included in salaries and benefits on the Consolidated Statement of Revenues and Expenses.

Non-Pension Plans

Kingston General Hospital's post-employment benefit plans are comprised of medical, dental and life insurance coverage. The measurement date used to determine the accrued benefit obligation is March 31, 2016. The most recent actuarial valuation of the non-pension post-employment benefits plans for funding purposes was as of April 1, 2014.

Information about the non-pension post-employment benefit plans is as follows:

	2016 $	2015 $
Accrued benefit obligation	27,927	27,838
Unamortized actuarial losses	961	26
Accrued compensation	(893)	(937)
Employee future benefits	27,995	26,927

The expense for the year related to these plans is $2,466 (2015: $2,125) and employer contributions for these plans is $1,442 (2015: $1,366).

(in thousands of dollars)

The significant actuarial assumptions adopted in measuring the accrued benefit obligation and the expense for the post-employment benefit plans is as follows:

- Discount rate for calculation of net benefit costs of 3.0% (2015 – 4.0%).
- Discount rate to determine accrued benefit obligation for disclosure at end of period 3.25% (2015 – 3.0%).
- Dental and extended health costs in 2016 are based on actual rates. Dental cost increases are assumed to be 4.0% per annum thereafter. Extended health care costs are assumed to be 7.0% in 2015 decreasing by 0.25% per annum to an ultimate rate of 5.0% per annum.

9. Deferred Contributions Related to Operations

Deferred contributions related to operations represent grants provided for specific operating purposes that have not yet been actualized. These grants have not been taken into revenue.

	2016 $	2015 $
Balance, beginning of year	8,849	8,689
Less amount recognized as revenue in the year	(4,100)	(2,214)
Add amount received related to future periods	1,912	2,374
	6,661	8,849

10. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets.

Externally restricted contributions and investment income related to special capital funding are included in deferred contributions related to capital assets.

	2016 $	2015 $
Balance beginning of year	263,357	266,653
Additional contributions received	9,977	20,340
Less amounts amortized to revenue	(24,483)	(23,640)
	248,851	263,357

The balance of unamortized capital contributions related to capital assets consists of the following:

	2016 $	2015 $
Unamortized capital contributions used to purchase assets	245,456	256,083
Unspent contributions	3,395	7,274
	248,851	263,357

(in thousands of dollars)

11. Deferred Contributions Related to Externally Restricted Funds

Deferred contributions related to externally restricted funds represent grants, donations and other revenue provided for specific restricted purposes that have not yet been actualized. These grants, donations and other revenues have not been taken into revenue.

	2016 $	2015 $
Balance, beginning of year	6,966	6,291
Less amount recognized as revenue in the year	(3,497)	(4,175)
Add amount received related to future periods	2,877	4,850
	6,346	6,966

12. Commitments

Cost to complete construction in progress and major equipment purchase

The estimated commitment to complete work in progress and major equipment purchases at March 31, 2016 is approximately $2,853 (2015: $2,353).

Lease Commitments

Kingston General Hospital is committed under certain operating lease agreements to minimum lease payments as follows:

	2016 $
Year ending March 31,	
2017	1,669
2018	1,285
2019	1,066
2020	588
2021	29
Total minimum lease payments	4,637

(in thousands of dollars)

13. Net Change In Non-Cash Working Capital Balances Related To Operations

Net change in non-cash working capital balances related to operations consists of the following:

	2016 $	2015 $
Accounts receivable	325	(593)
Due from Ministry of Health and Long-Term Care, South East Local Health Integration Network and Cancer Care Ontario	(155)	5,478
Inventories	(431)	520
Other current assets	(2,834)	(1,566)
Accounts payable and accrued liabilities	7,201	(19,342)
Accrued compensation	4,256	957
Gift annuities	-	(50)
Agency obligations	(346)	127
Net increase (decrease)	8,016	(14,469)

14. Related Entities

This section addresses disclosure requirements regarding the hospital's relationships with related entities.

(a) University Hospitals Kingston Foundation

Kingston General Hospital has an economic interest in the University Hospitals Kingston Foundation (UHKF). University Hospitals Kingston Foundation was originally created in 2005 to serve as the joint fundraising arm for the three Kingston Hospitals. On May 22, 2014, an application for Letters Patent of Amalgamation was filed with the office of the Public Guardian and Trustee on behalf of the Kingston General Hospital Foundation, Providence Care Foundation, Jeanne Mance Foundation and University Hospitals Kingston Foundation. The application was accepted with an effective date of July 1, 2014, whereby the parties have continued as one corporation under the corporate name of University Hospitals Kingston Foundation.

As outlined in the Operating Agreement between the Kingston Hospitals and UHKF dated July 1st, 2014, the Board of Directors of the Amalgamated Foundation, UHKF, will determine the amount of unrestricted funds that are available for distribution to the Kingston Hospitals, and will determine in collaboration with the Chief Executive Officers of the Kingston Hospitals or their designates how these funds will be distributed among the Kingston Hospitals.

During the year, University Hospitals Kingston Foundation provided Kingston General Hospital $5,004 (2015: $2,843) to fund capital redevelopment, equipment purchases and special program costs.

(b) Kingston General Hospital Auxiliary

Kingston General Hospital has an economic interest in Kingston General Hospital Auxiliary. Kingston General Hospital Auxiliary promotes and extends the interests of Kingston General Hospital throughout the city and surrounding counties. It provides volunteer auxiliary services as requested by Kingston General Hospital administration through liaison with the Director of Volunteers and the President of the organization. Kingston General Hospital Auxiliary also raises funds for Kingston General Hospital to be allocated to special gifts in a manner satisfactory to the administration of Kingston General Hospital and in harmony with the planning of the community.

During the year, Kingston General Hospital Auxiliary granted $486 (2015: $488) to Kingston General Hospital to fund equipment purchases and special program costs. Kingston General Hospital issued a note payable to Kingston General Hospital Auxiliary for $400 (2015: $400) which is payable on demand.

(c) Kingston Regional Hospital Laundry Incorporated

Kingston General Hospital has significant influence in Kingston Regional Hospital Laundry Incorporated. Kingston Regional Hospital Laundry Incorporated, a Corporation incorporated under the laws of the Province of Ontario, provides laundry services, linen replacement, uniforms, dry cleaning and other related laundry services to hospitals in the Southeast region. During the year, Kingston General Hospital paid $2,057 (2015: $2,032) to Kingston Regional Hospital Laundry Incorporated for laundry services. These costs are included in general expenses on the Consolidated Statement of Revenues and Expenses.

(d) Shared Support Services South Eastern Ontario

The Hospital is a member of Shared Support Services South Eastern Ontario ("3SO"), a non-profit corporation. 3SO manages the services and provides procurement oversight on the part of the seven member hospitals of the South East Local Health Integration Network. Each of the member hospitals is a voting member of 3SO. Therefore, the Hospital has an economic interest, but not control, over 3SO.
The assets, liabilities, net assets and results of operation of the 3SO are not included in the financial statements. During the year, Kingston General Hospital paid $2,818 (2015: $2,693) to 3SO for governance/operating costs. These costs are included in general expenses on the Consolidated Statement of Revenues and Expenses.

Kingston General Hospital has signed a ten year commitment to the project and has provided a limited guarantee to a maximum of 49.5% of a $5,000 line of credit secured by 3SO, representing the Hospital's proportionate share of $2,475. As at March 31, 2016, 3SO has drawn $10 (2015: $240) on this line of credit, of which $5 (2015: $119) is guaranteed by the Hospital.

15. Liability Insurance

On July 1, 1987, a group of health care organizations formed the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. Subscribers pay annual premiums that are actuarially determined. Subscribers are subject to assessment for losses, if any, experienced by the pool for the years in which they were a subscriber. No assessments have been made to March 31, 2016.

Since its inception in 1987 HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There is no distributions receivable from HIROC as of March 31, 2016.

16. Contingencies

Kingston General Hospital's activities are such that there are usually claims pending or in progress at any time. With respect to claims at March 31, 2016, management believes that reasonable provisions have been made in the accounts.

17. Clinical Education Program

During the year, the Hospital's Clinical Education Program incurred expenses of $36,100 (2015: $34,545) and received $36,177 (2015: $35,534) in funding from the Ministry of Health and Long-Term Care. Under the terms of the arrangement, the surplus of this funding of ($77) (2015: ($989)) must be paid to the Ministry of Health and Long-Term Care, and, as such, a payable of ($77) (2015: ($989)) has been recorded as at March 31, 2016.

18. Financial Risks and Concentration Of Credit Risk

(a) Credit Risk

Credit risk refers to the risk that counterparty may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to credit risk with respect to accounts receivable, and other investments.

The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Hospital at March 31, 2016 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Consolidated Statement of Revenues and Expenses. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Consolidated Statement of Revenues and Expenses. The balance of the allowance for doubtful accounts at March 31, 2016 is $951 (2015: $848).

As at March 31, 2016, $75 (2015: $125) of accounts receivable were past due, but not impaired.

The Hospital follows an investment policy approved by the Board of Directors. The maximum exposure to credit risk on the Hospital's other investments at March 31, 2016 is the carrying value of these assets.

There have been no significant changes to the credit risk exposure from 2015.

(b) Liquidity Risk

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

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

The contractual maturities of long-term debt, and interest rate swaps are disclosed in Note 7.

There have been no significant changes to the liquidity risk exposure from 2015.

(c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Hospital's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

- Interest rate risk:

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

  As at March 31, 2016, had prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the estimated impact on the market value of bonds would approximate ($30) and $30 respectively.

  The Hospital mitigates interest rate risk on certain of its term debt through derivative financial instruments (interest rate swaps) that exchange the variable rate inherent in the term debt for a fixed rate (see Note 7). Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to the term debt.

  The Hospital's investments are disclosed in Note 3.

  There has been no change to the interest rate risk exposure from 2015.

19. Recast of Comparative Information

Management determined that revenue recorded during the prior year should have been deferred as it relates to expenses incurred over more than one year. Management has corrected this immaterial error on a retroactive basis by recasting the comparative balances. As at March 31, 2015, deferred contributions increased by $1,325 and unrestricted net assets decreased by $1,325. For the year ended March 31, 2015, revenue from Ministry of Health and Long-Term Care, South East Local Health Integration Network and Cancer Care Ontario decreased by $1,325 and surplus of revenue over expenses decreased by $1,325.

20. Comparative Figures

Certain comparative figures have been restated to conform to the financial statement presentation adopted in 2016.