

Financial Statements of

**HALIBURTON HIGHLANDS HEALTH
SERVICES CORPORATION**

March 31, 2017

Table of Contents

	Page Number
INDEPENDENT AUDITORS' REPORT	
FINANCIAL STATEMENTS	
Statement of Financial Position	1
Statement of Changes in Net Assets	2
Statement of Consolidated Operations	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 - 15
SCHEDULES TO THE FINANCIAL STATEMENTS	
Minden and Haliburton Hospitals	16
Small and Rural Hospital Transformation Funding	17
Mental Health Program/Homelessness Program	18
Supportive Housing Program	19
Alternative Funding for Emergency Services	20
Long-Term Care	21
Hospice Palliative Care	22
Community Support Services	23



McCOLL TURNER LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

362 Queen Street
Peterborough, ON
K9H 3J6

P: 705.743.5020
F: 705.743.5081
E: info@mccollturner.com
www.mccollturner.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Haliburton Highlands Health Services Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Haliburton Highlands Health Services Corporation, which comprise the statement of financial position as at March 31, 2017, and the statements of changes in net assets, consolidated operations 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 for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Haliburton Highlands Health Services Corporation as at March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board.

McColl Turner LLP

Licensed Public Accountants

Peterborough, Ontario
June 22, 2017

HALIBURTON HIGHLANDS HEALTH SERVICES CORPORATION

1

STATEMENT OF FINANCIAL POSITION**March 31, 2017**

	2017 \$	2016 \$
ASSETS		
CURRENT ASSETS		
Cash and short term investments	2,970,851	2,128,057
Due from Ministry of Health and Long-Term Care (note 4)	40,610	127,664
Due from Ontario Health Insurance Plan	99,713	82,881
HST receivable	281,670	356,761
Other receivables	336,305	335,838
Inventories	115,242	107,970
Group benefits deposit (note 5)	87,693	19,986
Prepaid expenses	191,726	184,612
	4,123,810	3,343,769
 PROPERTY, BUILDINGS AND EQUIPMENT (note 6)	16,895,430	16,797,663
	21,019,240	20,141,432
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 7)	1,926,155	1,745,150
Due to Ministry of Health and Long-Term Care (note 4)	469,246	318,406
Due to Ross Memorial Hospital	189,782	114,144
Deferred revenue	538,468	332,422
Current portion of long term debt	166,509	159,756
	3,290,160	2,669,878
 LONG TERM DEBT (note 8)	548,828	715,337
 EMPLOYEE FUTURE BENEFITS (note 9)	1,143,800	1,082,500
 DEFERRED CAPITAL GRANTS AND DONATIONS (note 11)	15,241,391	14,895,660
	20,224,179	19,363,375
 NET ASSETS		
Invested in property, buildings and equipment	938,702	1,023,117
Externally restricted	55,340	55,290
Unrestricted	(198,981)	(300,350)
	795,061	778,057
	21,019,240	20,141,432

CONTINGENCIES (note 14)

The accompanying notes and schedules are an integral part of these financial statements

HALIBURTON HIGHLANDS HEALTH SERVICES CORPORATION

2

STATEMENT OF CHANGES IN NET ASSETS

Year Ended March 31, 2017

	2017			2016	
	\$			\$	
	Invested in property, buildings and equipment	Externally restricted	Unrestricted	Total	Total
BALANCE - beginning of year	1,023,117	55,290	(300,350)	778,057	1,163,654
Excess of revenue over expenses (expenses over revenue)	(210,217)	50	227,171	17,004	(420,595)
Net additions to property, buildings and equipment funded by operations	-	-	-	-	-
Net amounts funded by deferred capital grants and donations	(33,954)	-	33,954	-	34,998
Principal repayments on long term debt funded by operations	159,756	-	(159,756)	-	-
BALANCE - end of year	938,702	55,340	(198,981)	795,061	778,057

The accompanying notes and schedules are an integral part of these financial statements

HALIBURTON HIGHLANDS HEALTH SERVICES CORPORATION

3

STATEMENT OF CONSOLIDATED OPERATIONS

Year Ended March 31, 2017

	2017 \$	2016 \$
REVENUES		
Ministry of Health and Long-Term Care	20,003,680	19,979,048
Patient services - other insurers and self pay	728,172	702,493
Long-term care - residents' fees and other	2,200,173	2,105,974
Other revenue	950,328	948,633
Amortization of capital grants and donations relating to property, buildings and equipment	1,003,385	999,153
	24,885,738	24,735,301
EXPENSES		
Salaries, wages and benefits	15,161,105	15,222,027
Medical compensation	2,945,424	2,958,617
Drugs and medical supplies	365,115	365,007
Supplies and other	5,109,494	5,252,260
Interest on long term debt	33,236	39,845
Amortization of property, buildings and equipment	1,213,602	1,153,441
	24,827,976	24,991,197
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE) BEFORE THE UNDERNOTED	57,762	(255,896)
Unexpended operating grants refundable to Ministry of Health and Long-Term Care for special programs	(40,758)	(164,699)
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE) FOR THE YEAR	17,004	(420,595)

The accompanying notes and schedules are an integral part of these financial statements

HALIBURTON HIGHLANDS HEALTH SERVICES CORPORATION

4

STATEMENT OF CASH FLOWS**Year Ended March 31, 2017**

	2017 \$	2016 \$
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Excess of revenue over expenses (expenses over revenue) for the year	17,004	(420,595)
Add (deduct) items not involving an outlay of cash:		
Amortization of property, buildings and equipment	1,213,602	1,153,441
Amortization of capital grants and donations relating to property, buildings and equipment	(1,003,385)	(999,153)
Employee future benefits	61,300	72,400
	288,521	(193,907)
Changes in non-cash working capital items	676,282	318,824
	964,803	124,917
FINANCING ACTIVITIES		
Net capital grants and donations received	1,349,116	607,462
Repayment of long term debt	(159,756)	(153,269)
	1,189,360	454,193
INVESTING ACTIVITIES		
Additions to property, buildings and equipment	(1,311,369)	(743,798)
INCREASE (DECREASE) IN CASH FOR THE YEAR	842,794	(164,688)
CASH POSITION - beginning of year	2,128,057	2,292,745
CASH POSITION - end of year	2,970,851	2,128,057

The accompanying notes and schedules are an integral part of these financial statements

1. PURPOSE OF THE ORGANIZATION

The Haliburton Highlands Health Services Corporation (the "Corporation") was incorporated without share capital on February 19, 1996 and is responsible for the development and operation of health services required by the people of the County of Haliburton and the surrounding area. The Corporation 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Corporation has followed Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs") in the preparation of these financial statements. A summary of significant policies is presented below:

(a) Fund accounting

Revenues and expenses related to program delivery and administrative activities are reported in the operating fund.

Invested in property, buildings and equipment reports the assets, liabilities, revenues and expenses related to the property, buildings and equipment.

Funds received and expended for the benefit and welfare of residents of Hyland Crest are reported as externally restricted.

(b) Revenue recognition

The Haliburton Highlands Health Services Corporation follows the deferral method of accounting for contributions, which include donations and government grants. Restricted contributions other than capital grants and donations are recognized as revenue in the year in which the related expenses are incurred. 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. Contributions designated for the welfare of residents at Hyland Crest are recognized as revenue when received.

Capital grants and donations are deferred and amortized on the same basis and rate as the amortization of the related capital assets.

Under the Health Insurance Act (Ontario) and the regulations thereunder, the Corporation is funded primarily by the Ministry of Health and Long-Term Care ("The Ministry") of the Province of Ontario in accordance with funding arrangements established by the Central East Local Health Integration Network ("CE LHIN"). The Board of Directors recognizes the Corporation's on-going dependency on The Ministry as the primary funding source for the Corporation's operating activities. Operating grants are recorded as revenue in the period to which they relate. One-time funding is recognized when the terms and conditions of the grant are met. These financial statements reflect agreed funding arrangements approved by the Ministry through the CE LHIN.

Patient billings are recognized as revenue when the service is provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*(c) Property, buildings and equipment*

Property, buildings and equipment are recorded at cost except for the original acquisitions from the Sisters of St. Joseph, which have been recorded at fair market value.

Amortization is provided on the basis and at the rates described below:

Asset	Basis	Rate
Land improvements	Straight-line on an individual basis	6.67% to 10%
Buildings	Straight-line	2.5% to 10%
Major equipment	Straight-line on an individual basis	6.67% to 20%

(d) Inventories

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

(e) Compensated absences

Compensation for vacation and sick leave is accrued for all employees as entitlement to these payments is earned, in accordance with the Corporation's benefit plans.

(f) Employee future benefits

The Corporation accrues its obligations and the related costs under employee benefit plans, during the periods in which employees earn the benefits.

The costs of certain retirement benefits earned by employees is actuarially determined, using the projected unit method pro-rated on service and management's best estimate of retirement ages and expected health care costs.

Past service costs arising from plan amendments are immediately recognized.

Actuarial gains or losses arising in the year are amortized into future years' expenses over the average remaining service period of active employees.

(g) Contributed services

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*(h) Use of estimates*

The preparation of financial statements in accordance with PSAB for Government NPOs requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingencies at the date of the financial statements and the reported amount of revenue and expenses during the period. Actual results could differ from those estimates.

In particular, the amount of revenue recognized from the Ministry requires a number of estimates. The Corporation has entered into the Hospital Service Accountability Agreement (the "H-SAA") and the Multi-Sector Service Accountability Agreement (the "M-SAA") with the Ministry that set out the rights and obligations of the two parties in respect of funding provided to the Corporation by the Ministry for fiscal 2017. The H-SAA and the M-SAA set out certain performance standards and obligations that establish acceptable results for the Corporation's performance in a number of areas.

If the Corporation does not meet its performance standards or obligations, the Ministry has the right to adjust funding received by the Corporation. The Ministry is not required to communicate certain funding adjustments until after the submission of year end data. Since this data is not submitted until after the completion of the financial statements, the amount of Ministry funding received during the year may be increased or decreased subsequent to year end.

In addition, the Corporation has provided for other significant estimates which include the estimated useful lives of property, buildings and equipment, as well as a provision for an allowance for doubtful accounts.

The amounts provided in these financial statements represents management's best estimate of amounts that have been earned or incurred during the year. Any differences from these estimates will be recorded in the period in which they become known.

3. FINANCIAL ASSETS AND LIABILITIES*(a) Measurement of financial instruments*

The Corporation's financial instruments consist of cash and short term investments, receivable from the Ministry of Health and Long-Term Care, receivable from the Ontario Health Insurance Plan, HST receivable and other receivables, accounts payable and accrued liabilities, payable to the Ministry of Health and Long-Term Care, due to Ross Memorial Hospital and long term debt. Cash and short term investments, receivable from the Ministry of Health and Long-Term Care, receivable from the Ontario Health Insurance Plan, HST receivable and other receivables are stated at cost, which approximates fair value due to their short term maturities. Management has classified the various payables as other liabilities, the fair value of which approximates cost due to their short term maturities. Long term debt has been classified as other liabilities, the fair value of which approximates cost as the future cash flows associated with the mortgage approximate the cash flows for similar instruments that would be available to the Corporation.

3. FINANCIAL ASSETS AND LIABILITIES (continued)*(b) Risks*

The Corporation is exposed to various risks associated with its financial assets and liabilities as described below. Unless otherwise noted, there has been no change in risk exposure from the prior year.

(i) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations associated with financial liabilities. Cash flow from operations and government funding provide a substantial portion of the Corporation's cash requirements. The Corporation has an available line of credit of \$800,000 to provide flexibility to meet operational needs and bridge long-term financing, if required. The Corporation's borrowing arrangements are concentrated with a single Canadian financial institution.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge the obligation. The Corporation is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable. The maximum exposure to credit risk is the carrying value of accounts receivable. Accounts receivable are non-interest bearing and generally due within 30 days. The Corporation measures its exposure to credit risk based on how long amounts have been outstanding. An impairment allowance is recorded based on a sliding scale percentage applied to the aged balances. At year end, there was a provision for doubtful accounts in the amount of \$50,798 (2016 - \$47,801).

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is not exposed to significant interest rate risk.

Short-term deposits consist of Guaranteed Investment Certificates maturing between August 2017 and February 2018 with effective yields between 0.9% and 0.95% per annum.

The long-term debt is at a fixed rate of interest and payments are based on the contractual requirements of the debt instruments. A change in market interest rates has no impact on cash flows required to service this debt.

4. DUE FROM (TO) MINISTRY OF HEALTH AND LONG-TERM CARE

The Corporation is required to submit reports to the Ministry of Health and Long-Term Care for their review on an annual basis. Pending reconciliation by the Ministry, the Corporation has estimated that the operating grants recoverable (refundable) at year end are as follows:

	2017 \$	2016 \$
Minden and Haliburton hospitals	-	100,000
Mental health program/homelessness program	26,900	9,680
Long-term care	13,710	17,984
Total recoverable	40,610	127,664
	2017 \$	2016 \$
Minden and Haliburton hospitals	(225,812)	(90,015)
Mental health program/homelessness program	(90,984)	(74,040)
Supportive housing program	(7,733)	(5,433)
Long-term care	(24,399)	(30,478)
Hospice palliative care	(13,871)	(13,871)
Community support services	(106,447)	(104,569)
Total refundable	(469,246)	(318,406)

5. GROUP BENEFITS DEPOSIT

The Corporation provides its employees with extended health, dental and semi-private benefits through a benefit carrier. The Corporation's contributions are expensed to the extent that they do not relate to discretionary reserves. A summary of the transactions in the plan and the resulting deposit is as follows:

	2017 \$	2016 \$
Balance – beginning of year	19,986	34,557
Net contributions (expenses)	67,404	(15,035)
Interest	303	464
Balance – end of year	87,693	19,986

6. PROPERTY, BUILDINGS AND EQUIPMENT

The cost, accumulated amortization and net book value of the Corporation's property, buildings and equipment are as follows:

	March 31, 2017		March 31, 2016	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Land	322,660	-	322,660	-
Land improvements	546,695	353,789	340,010	340,010
Buildings	23,764,601	9,696,358	23,194,501	8,954,053
Major equipment	6,421,532	4,785,279	6,291,913	4,327,761
Construction in progress	675,368	-	270,403	-
	31,730,856	14,835,426	30,419,487	13,621,824
Net book value		16,895,430		16,797,663

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances of \$203,672 (2016 - \$224,796).

8. LONG TERM DEBT

Long term debt consists of the following:

	2017 \$	2016 \$
Variable rate first mortgage loan bearing interest at 3.85% per annum, repayable in monthly principal and interest payments of \$775, due December 1, 2019	69,390	75,880
Fixed rate non-revolving unsecured demand instalment loan bearing interest at 4.16% per annum, repayable in monthly principal and interest payments of \$15,301, due January 15, 2021	645,947	799,213
	715,337	875,093
Less principal payments due within one year classified as a current liability	166,509	159,756
	548,828	715,337

8. LONG TERM DEBT (continued)

Based upon the present arrangements with lenders, aggregate principal repayments required in each of the next five years are as follows:

	\$
2018	166,509
2019	173,548
2020	180,879
2021	194,401

9. EMPLOYEE FUTURE BENEFITS

The Corporation sponsors both defined benefit and defined contribution employee future benefit plans covering substantially all employees. Costs for employee future benefits are accrued over the periods in which employees earn the benefits.

The post retirement benefit costs have been actuarially determined using the projected benefit method prorated on service and management's best estimates of salary increases and ages of employees upon retirement. The most recent actuarial valuation for the plan was performed as at March 31, 2017.

The following actuarial assumptions were used to determine the post retirement plans expense and the accrued benefit obligations:

Discount rate – accrued benefit obligation	3.76% per annum
Discount rate – benefit cost	3.56% per annum
Dental cost trend rates	3.75% per annum
Extended health care trend rates	6.50% in 2017, decreasing by 0.25% per annum to an ultimate rate of 4.75% in 2024 and thereafter

9. EMPLOYEE FUTURE BENEFITS (continued)

The employee future benefits expense for fiscal 2017 and the accrued employee future benefit liability as at March 31, 2017 are as follows:

	2017 \$	2016 \$
Expenses		
Current service cost	69,100	71,000
Interest	47,800	42,700
Past service costs arising from plan amendments	18,200	23,400
Total employee future benefits expense	135,100	137,100
Accrued Benefit Liability		
Balance - beginning of year	1,082,500	1,010,100
Benefits expense for the year	135,100	137,100
Contributions/payments made during the year	(73,800)	(64,700)
Balance - end of year	1,143,800	1,082,500
Accrued Benefit Obligation		
Balance - beginning of year	1,238,100	1,251,100
Actuarial loss (gain)	27,100	(62,000)
Current service cost	69,100	71,000
Interest on accrued benefit obligation	47,800	42,700
Contributions/payments made during the year	(73,800)	(64,700)
Balance - end of year	1,308,300	1,238,100
Reconciliation of Accrued Benefit Obligation to Accrued Benefit Liability		
Accrued benefit obligation, end of year	1,308,300	1,238,100
Deduct unamortized actuarial loss	(164,500)	(155,600)
Accrued benefit liability - end of year	1,143,800	1,082,500

10. HOSPITALS OF ONTARIO PENSION PLAN

Substantially all of the employees of the Corporation are members of the Hospitals of Ontario Pension Plan, which is a multi-employer final average pay contributory pension plan. Employer contributions made to the plan by the Corporation during the year amounted to \$860,409 (2016 - \$808,238). These amounts are included in salaries, wages and benefits expense in the statement of operations. The most recent valuation for financial reporting purposes completed by HOOPP as of December 31, 2016 disclosed net assets available for benefits of \$70,359 million with pension obligations of \$54,461 million, resulting in a surplus of \$15,898 million. As HOOPP is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of member organizations and their employees. As a result, the Corporation does not recognize any share of the HOOPP surplus or deficit.

11. DEFERRED CAPITAL GRANTS AND DONATIONS

Deferred contributions related to property, buildings and equipment represent the unamortized and the unspent amount of grants and donations received for the purchase of property, buildings and equipment. The amortization of capital contributions is recorded as revenue in the statement of operations.

The change in deferred capital grants and donations during the year is as follows:

	2017 \$	2016 \$
Balance - beginning of year	14,895,660	15,322,351
Net capital grants and donations received and receivable during the year	1,349,116	572,462
Amortization of capital grants and donations	(1,003,385)	(999,153)
Balance - end of year	15,241,391	14,895,660

12. RESIDENTS' TRUST FUNDS

Residents' trust funds represent funds held on deposit as a convenience to the residents. These funds are not co-mingled with the Corporation's assets and, consequently are not included in the statement of financial position. Changes during the year in residents' trust funds are summarized as follows:

	2017 \$	2016 \$
Balance - beginning of year	15,734	20,567
Add (deduct):		
Interest earned	90	137
Net withdrawals	(6,602)	(4,970)
Balance - end of year	9,222	15,734

13. ELIZABETH HARRISON TRUST

In connection with the ownership and responsibility of Hyland Crest, the Corporation has been delegated responsibility for the Elizabeth Harrison Trust fund. This endowment fund has been separately invested with the interest income available for the benefit of Hyland Crest residents at the discretion of the Residents' Council. These funds have been included in externally restricted funds on the statement of financial position.

The change in the fund balance for the year is as follows:

	2017 \$	2016 \$
Balance – beginning of year	54,955	54,540
Add interest earned	385	415
Balance – end of year	55,340	54,955

14. COMMITMENTS AND CONTINGENCIES

- (a) The Corporation has a Strategic Alliance Agreement with Ross Memorial Hospital in Lindsay ("Ross") as a result of an integration process facilitated by the CE LHIN. Ross provides the Corporation with support services in the following functional areas: integration project manager, combined information technology department, regional CIO, diagnostic imaging leadership, mental health leadership, sterile reprocessing, laboratory, procurement and pharmacy services. Annual aggregate fees for these services are approximately \$480,000 plus transactional costs and overhead charges where applicable.
- (b) The Corporation entered into a Service Agreement with Peterborough Regional Health Centre for the provision of laboratory services effective January 2017. The fees vary depending on volume and utilization and are invoiced monthly as incurred.
- (c) The Corporation is part of a group purchasing arrangement with the Central Ontario Healthcare Procurement Alliance (COHPA) to obtain medical and surgical supplies and certain contract services. The arrangement with COHPA is managed under the procurement services with Ross.
- (d) The Corporation has allied with a consortium of hospitals in a project to update radiology images to digital technology and centralize the storage and retrieval of digital radiology images. During the year, the Corporation was added as a party and a purchaser to the Services Agreement with Ross Memorial Hospital and Agfa Healthcare Inc.
- (e) As part of its mandate to provide integrated health care services to the County, the Corporation operates long-term care programs at both the Haliburton (Highland Wood) and Minden (Hyland Crest) sites. The Corporation assumed sole responsibility for governance of Hyland Crest through the passage of a private members bill, which exempts the County of Haliburton from responsibility for governance as long as the Corporation maintains and operates the home.

14. COMMITMENTS AND CONTINGENCIES (continued)

- (f) A group of hospitals, including the Corporation, have formed the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members and these losses could be material. No reassessments have been made to March 31, 2017.
- (g) Due to the nature of its operations, the Corporation is periodically subject to lawsuits in which the Corporation is a defendant, as well as grievances filed by its various unions. Where the potential liability is likely and able to be estimated, management records its best estimate of the potential liability. In other cases, the ultimate outcome of the claims cannot be determined at this time. It is management's position that the Corporation has valid defences and appropriate insurance coverage in place.
- (h) During the year, the Corporation entered into a third party contract for the design and construction of a palliative care addition at the Haliburton site. Total costs are estimated to be \$1,265,000. As at March 31, 2017, \$511,000 of the project had been billed and paid. The Corporation anticipates the project will be funded by contributions raised by the Haliburton Highlands Health Services Foundation.

15. RELATED PARTY TRANSACTIONS*(a) Haliburton Highlands Health Services Foundation*

The Corporation has an economic interest in Haliburton Highlands Health Services Foundation (the "Foundation"). The Foundation was established to raise funds for charities and, in particular, the Corporation. The Foundation is incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act. Net resources of the Foundation at March 31, 2017 are approximately \$1,690,164. At year end, the Corporation had recorded net receivables from the Foundation amounting to \$163,303 (2016 - \$114,504).

(b) Hospital Auxiliaries

The Corporation is related to the Haliburton Hospital Auxiliary and the Minden Health Care Auxiliary, which were established to raise funds for the hospitals. The Auxiliaries are incorporated and are registered charities under the Income Tax Act.

The net assets and results from operations of the related parties are not included in the statements of the Corporation.

Related party transactions during the year not separately disclosed in the financial statements include an amount of \$540,582 (2016 - \$496,325) from the Foundation and \$25,384 (2016 - \$70,149) from the Haliburton and Minden Auxiliaries, the majority of which have been recorded as deferred capital contributions. The Foundation occupies an office in each of the Haliburton and Minden facilities. This space, together with the use of office furniture, computer equipment, and various office and payroll services, is provided to the Foundation at no charge by the Corporation.

The Community Support Services program operates at a site adjacent to the Corporation's Haliburton premises. While the property is reported in the records of the Corporation, title is held by the Foundation pursuant to the terms of a trust agreement between the two parties.

HALIBURTON HIGHLANDS HEALTH SERVICES CORPORATION

16

MINDEN AND HALIBURTON HOSPITALS**SCHEDULE OF OPERATIONS****Year Ended March 31, 2017**

	2017	2016
	\$	\$
REVENUE		
Patient services		
Ministry of Health and Long-Term Care	9,650,156	9,740,265
Other insurers and self-pay	341,412	277,242
Other revenue	388,810	419,948
Allocation from Small and Rural Hospital Transformation Funding	50,004	50,004
Amortization of capital grants and donations relating to property, buildings and equipment	1,003,385	999,153
	11,433,767	11,486,612
EXPENSES		
Salaries, wages and benefits	6,957,531	7,243,165
Medical compensation	372,410	364,871
Drugs and medical supplies	365,114	365,007
Supplies	906,629	922,737
Equipment maintenance	355,604	514,528
Laboratory	215,105	238,199
Building and grounds	577,091	466,237
Professional fees	110,284	185,776
Interest on long term debt	33,236	39,845
Other	49,330	39,996
Amortization of property, buildings and equipment	1,213,602	1,148,432
	11,155,936	11,528,793
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE) FOR THE YEAR	277,831	(42,181)

The accompanying notes are an integral part of the financial statements

HALIBURTON HIGHLANDS HEALTH SERVICES CORPORATION

17

SMALL AND RURAL HOSPITAL TRANSFORMATION FUNDING**SCHEDULE OF OPERATIONS****Year Ended March 31, 2017**

	2017 \$	2016 \$
REVENUE		
Ministry of Health and Long-Term Care grant	457,000	402,900
EXPENSES		
Salaries, wages and benefits	156,445	108,122
Professional services		
Legal	-	49,056
Patient transportation	100,536	-
Change management	12,297	28,769
Systems and systems development	36,127	-
Project implementation	-	95,000
	305,405	280,947
Allocated to other programs:		
Mental Health/Homelessness Programs	75,000	75,000
Minden and Haliburton hospitals	50,004	50,004
Long-Term Care	12,500	-
	442,909	405,951
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE) FOR THE YEAR BEFORE THE UNDERNOTED	14,091	(3,051)
Amount refundable to Ministry of Health and Long-Term Care	(14,091)	-
EXCESS OF EXPENSES OVER REVENUE FOR THE YEAR	-	(3,051)

The accompanying notes are an integral part of the financial statements

HALIBURTON HIGHLANDS HEALTH SERVICES CORPORATION

18

MENTAL HEALTH PROGRAM/HOMELESSNESS PROGRAM**SCHEDULE OF OPERATIONS****Year Ended March 31, 2017**

	2017	2016
	\$	\$
REVENUE		
Ministry of Health and Long-Term Care grant		
Operating	947,423	820,773
Homelessness	116,600	165,857
Tenants' fees	86,340	106,508
Allocation from Small and Rural Hospital Transformation Funding	75,000	75,000
Interest and other income	11,134	14,570
	<u>1,236,497</u>	<u>1,182,708</u>
EXPENSES		
Salaries, wages and benefits	818,633	730,748
Staff travel	25,566	26,185
Sessional fees	24,000	33,200
Rent	61,498	59,616
Administration fee	20,000	20,000
Equipment	8,573	26,835
Other	58,589	38,773
Homelessness		
Rent	150,873	151,968
Hydro	43,975	38,869
	<u>1,211,707</u>	<u>1,126,194</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE THE UNDERNOTED	24,790	56,514
Amount refundable to Ministry of Health and Long-Term Care	(24,790)	(56,514)
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	-	-

The accompanying notes are an integral part of the financial statements

HALIBURTON HIGHLANDS HEALTH SERVICES CORPORATION

19

SUPPORTIVE HOUSING PROGRAM**SCHEDULE OF OPERATIONS****Year Ended March 31, 2017**

	2017	2016
	\$	\$
REVENUE		
Ministry of Health and Long-Term Care grant	903,263	890,930
EXPENSES		
Salaries, wages and benefits	828,996	801,399
Office expenses	14,513	13,071
Staff travel	21,519	16,265
Resources	3,256	2,400
Administration fee	21,516	39,450
Other	13,463	12,912
	903,263	885,497
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR BEFORE THE UNDERNOTED	-	5,433
Amount refundable to Ministry of Health and Long-Term Care	-	(5,433)
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	-	-

The accompanying notes are an integral part of the financial statements

HALIBURTON HIGHLANDS HEALTH SERVICES CORPORATION

20

ALTERNATIVE FUNDING FOR EMERGENCY SERVICES**SCHEDULE OF OPERATIONS**

Year Ended March 31, 2017

	Haliburton \$	Minden \$	2017 Total \$	2016 Total \$
REVENUE				
Ministry of Health and Long-Term Care grant	1,224,441	1,335,594	2,560,035	2,571,481
EXPENSES				
Participating physicians	1,199,441	1,310,594	2,510,035	2,521,481
Shadow billing	24,000	24,000	48,000	48,000
Administration	1,000	1,000	2,000	2,000
	1,224,441	1,335,594	2,560,035	2,571,481
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	-	-	-	-

The accompanying notes are an integral part of the financial statements

HALIBURTON HIGHLANDS HEALTH SERVICES CORPORATION

21

**LONG-TERM CARE
SCHEDULE OF OPERATIONS
Year Ended March 31, 2017**

	Highland Wood \$	Hyland Crest \$	2017 Total \$	2016 Total \$
REVENUE				
Ministry of Health and Long-Term Care	1,355,598	2,761,144	4,116,742	4,111,304
Residents' fees and other	707,217	1,492,956	2,200,173	2,105,974
Allocation from Small and Rural Hospital Transformation Funding	6,250	6,250	12,500	-
	2,069,065	4,260,350	6,329,415	6,217,278
EXPENSES				
Nursing services	1,219,524	2,554,625	3,774,149	3,778,534
Dietary services	297,384	603,009	900,393	878,315
Housekeeping services	118,585	184,061	302,646	437,386
Building and property	322,761	613,503	936,264	740,902
General administration	40,261	74,615	114,876	167,979
Laundry and linen services	59,587	109,135	168,722	168,575
Activities	135,465	257,726	393,191	420,950
	2,193,567	4,396,674	6,590,241	6,592,641
EXCESS OF EXPENSES OVER REVENUE FOR THE YEAR	(124,502)	(136,324)	(260,826)	(375,363)

The accompanying notes are an integral part of the financial statements

HALIBURTON HIGHLANDS HEALTH SERVICES CORPORATION

22

**HOSPICE PALLIATIVE CARE
SCHEDULE OF OPERATIONS
Year Ended March 31, 2017**

	2017 \$	2016 \$
REVENUE		
Ministry of Health and Long-Term Care grant	275,961	275,965
EXPENSES		
Salaries, wages and benefits	256,743	243,683
Supplies and sundry	16,505	21,551
One time costs	1,431	-
Minor equipment	1,282	181
	275,961	265,415
EXCESS OF REVENUE OVER EXPENSES BEFORE THE UNDERNOTED	-	10,550
Amount refundable to Ministry of Health and Long-Term Care	-	(10,550)
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	-	-

The accompanying notes are an integral part of the financial statements

HALIBURTON HIGHLANDS HEALTH SERVICES CORPORATION

23

COMMUNITY SUPPORT SERVICES**SCHEDULE OF OPERATIONS****Year Ended March 31, 2017**

	2017 \$	2016 \$
REVENUE		
Ministry of Health and Long-Term Care grant		
Operating	1,429,577	1,398,726
One time	3,923	3,747
Donations	7,044	4,707
Client service fees	386,760	425,251
	<u>1,827,304</u>	<u>1,832,431</u>
EXPENSES		
Salaries, wages and benefits	1,128,345	963,204
Drugs and medical supplies	115	1,172
Supplies and sundry	363,374	292,630
One time costs	4,630	85,275
Minor equipment	4,895	26,335
Transportation	309,190	324,753
Contracted out	-	27,406
Building and grounds	14,878	14,445
Amortization	-	5,009
	<u>1,825,427</u>	<u>1,740,229</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE THE UNDERNOTED	1,877	92,202
Amount refundable to Ministry of Health and Long-Term Care	<u>(1,877)</u>	<u>(92,202)</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	-	-

The accompanying notes are an integral part of the financial statements