Financial Statements of

Health Sciences North
Horizon Santé-Nord

Year ended March 31, 2018

Health Sciences North
Horizon Santé-Nord

STATEMENT OF MANAGEMENT RESPONSIBILITY

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

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

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

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

On behalf of Health Sciences North

Dominic Giroux	Joe Pilon
President & Chief Executive Officer	Senior Vice President & Chief Operating Officer

Sudbury, Canada
Date

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INDEPENDENT AUDITORS' REPORT

To the Members of Health Sciences North

We have audited the accompanying financial statements of Health Sciences North, which comprise the statement of financial position as at March 31, 2018, the statements of operations, changes in net assets (deficiency) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 our 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, we consider 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 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 Health Sciences North, as at March 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada
May 8, 2018

HEALTH SCIENCES NORTH

Statement of Operations

Year ended March 31, 2018, with comparative information for 2017
(in thousands of dollars)

		2018	2017
Revenue:			
North East Local Health Integration Network and Ministry of Health and Long-Term Care	$	297,071	289,144
Cancer Care Ontario		56,737	54,974
Specifically funded programs		35,107	33,862
Patient services		35,350	34,337
Other		46,947	42,170
Amortization - deferred capital contributions for equipment		8,137	7,863
		479,349	462,350
Expenses:			
Salaries and wages		216,146	211,192
Employee benefits		67,922	62,325
Medical staff remuneration		28,772	28,279
Supplies and other		64,557	62,028
Medical and surgical		28,596	28,339
Drugs		29,746	25,060
Specifically funded programs		35,238	34,208
Amortization - equipment		16,059	15,896
		487,036	467,327
Deficiency of revenue over expenses from Hospital operations		(7,687)	(4,977)
Amortization - buildings		(11,558)	(10,854)
Amortization - deferred capital contributions for buildings		9,349	9,264
Interest on long-term debt (note 10)		(1,236)	(563)
Deficiency of revenue over expenses	$	(11,132)	(7,130)

See accompanying notes to financial statements

HEALTH SCIENCES NORTH

Statement of Financial Position

March 31, 2018, with comparative information for 2017
(in thousands of dollars)

		2018	2017
Assets			
Current assets:			
Cash	$	3,149	8,667
Accounts receivable (note 2)		34,718	32,954
Inventories		5,022	4,947
Prepayments		6,524	7,308
		49,413	53,876
Restricted assets (note 3)		-	2,288
Long-term receivables (note 4)		23,820	27,023
Capital assets (note 5)		345,109	352,966
	$	418,342	436,153
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities (note 7)		78,229	68,501
Current portion of long-term obligations (note 10)		8,721	4,343
		86,950	72,844
Deferred contributions (note 8)		769	945
Deferred capital contributions (note 9)		268,095	279,807
Long-term obligations (note 10)		67,754	76,651
		423,568	430,247
Net assets (deficiency)		(5,226)	5,906
Contingencies (note 14)			
	$	418,342	436,153

See accompanying notes to financial statements

On behalf of the Board:

________________________________ Chair

HEALTH SCIENCES NORTH

Statement of Changes in Net Assets (Deficiency)

Year ended March 31, 2018, with comparative information for 2017
(in thousands of dollars)

		2017	2016
Net assets, beginning of year	$	5,906	13,036
Deficiency of revenue over expenses		(11,132)	(7,130)
Net assets (deficiency), end of year	$	(5,226)	5,906

See accompanying notes to financial statements

HEALTH SCIENCES NORTH

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017
(in thousands of dollars)

		2018	2017
Cash flows from operating activities:			
Deficiency of revenues over expenses	$	(11,132)	(7,130)
Adjustments for:			
Amortization of capital assets		27,617	26,750
Amortization of deferred capital contributions		(17,486)	(17,127)
Increase in accrued benefits obligation		927	863
		(74)	3,356
Change in non-cash working capital (note 11)		13,052	14,477
		12,978	17,833
Cash flows from capital activities:			
Additions to capital assets:			
- Care Point project		(2,597)	(6,772)
- parking lot redevelopment project		(226)	(2,741)
- medical learners project		(393)	(179)
- capital expansion project		(14)	-
- equipment		(10,693)	(9,814)
- building		(5,838)	(4,389)
Increase in deferred capital contributions		5,774	6,881
		(13,987)	(17,014)
Cash flows from financing activities:			
Decrease (increase) in long-term receivables		3,203	(10,381)
Decrease in deferred contributions		(176)	(146)
Increase (decrease) in long-term obligations		(9,824)	28,581
		(6,797)	18,054
Cash flows from investing activities:			
Decrease in restricted assets		2,288	168
		2,288	168
Net increase (decrease) in cash		(5,518)	19,041
Cash (bank indebtedness), beginning of year		8,667	(10,374)
Cash, end of year	$	3,149	8,667

See accompanying notes to financial statements

Health Sciences North (the "Hospital") was incorporated under the laws of Ontario on June 30, 1997 and is exempt from income taxes under Section 149 of the Income Tax Act.

1. 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.

(a) Revenue recognition:

The Hospital accounts for contributions, which include donations and government grants, under the deferral method of accounting.

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care (the "MOHLTC") and the North East Local Health Integration Network ("NELHIN"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the straight-line basis, at rates corresponding to those of the related capital assets.

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

(b) Inventories:

Inventories are stated at the lower of average cost and net realizable value. Cost comprises all costs to purchase, convert and any other costs in bringing the inventories to their present location and condition.

1. Significant accounting policies (continued):

(c) Capital assets:

Purchased capital assets are recorded at cost. Assets acquired under capital leases are initially recorded at the present value of the future minimum lease payments and amortized over the useful life of the assets. Minor equipment replacements are expensed in the year of replacement.

Construction in progress is not amortized until construction is complete and the facilities come into use.

Amortization is provided on the straight-line basis at the following range of annual rates:

Buildings and site services	2% - 10%
Furniture and equipment	5% - 20%
Information technology	10% - 33%

In the year of acquisition, amortization is provided at one-half of the rates otherwise charged.

Long-lived assets, including capital assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Hospital uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer amortized. The asset and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the statement of financial position.

1. Significant accounting policies (continued):

(d) Related entities:

The notes to financial statements include information of the following entities (note 14):

Health Sciences North Foundation
Northern Cancer Foundation
Health Sciences North Volunteer Association
Sudbury Hospital Services
Sudbury Vascular Laboratory Ltd.
Health Sciences North Research Institute ("HSNRI")
NEO Kids Foundation

The investment in the controlled entity, Sudbury Vascular Laboratory Ltd., is accounted for by the equity method. The other entities are not consolidated.

(e) Employee post-retirement benefits:

The 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.

Actuarial gains (losses) on the accrued benefit obligation 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 of the active employees covered by the employee benefit plan is 13 years.

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

The Hospital is an employer member of the Health Care of Ontario Pension Plan (the "Plan"), which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Hospital records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

(f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods specified. Significant items subject to such estimates and assumptions include the carrying amount of capital assets; valuation allowances for receivables, and inventories; valuation of financial instruments; and assets and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

1. Significant accounting policies (continued):

(g) Funding adjustments:

The Hospital receives grants from the NELHIN, MOHLTC and Cancer Care Ontario (“CCO”) for specific services. Pursuant to the related agreements, if the Hospital does not meet specified levels of activity, the NELHIN, MOHLTC or CCO are entitled to seek refunds. Should any amounts become refundable, the refunds would be charged to operations in the period in which the refund is determined to be payable. Should programs and activities incur a deficit, the Hospital records any recoveries thereon in the period in which collection is received.

(h) Contributed services:

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

(i) Financial instruments:

All financial instruments are initially recorded on the statement of financial position at fair value.

All investments, if any, held in equity instruments that trade in an active market are recorded at fair value. Management has elected to record investments at fair value as they are managed and evaluated on a fair value basis. Freestanding derivative instruments that are not equity instruments that are quoted in an active market are subsequently measured at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

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. Where a decline in fair value is determined to be other than temporary, the amount of the loss is recognized in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses. On sale, the statement of remeasurement gains and losses associated with that instrument are reversed and recognized in the statement of operations.

(In thousands of dollars)

2. Accounts receivable:

		2018	2017
NELHIN and MOHLTC	$	12,836	9,536
Patients		7,847	7,653
Hospitals and agencies		5,444	5,407
CCO		3,184	3,639
Canada Revenue Agency (HST)		2,142	1,618
Current portion of long-term receivables		1,223	1,037
Other		3,442	5,464
		36,118	34,354
Less allowance for doubtful accounts		(1,400)	(1,400)
	$	34,718	32,954

3. Restricted assets:

		2018	2017
Cash	$	–	1,122
Short-term investments		–	662
MOHLTC receivable		–	504
	$	–	2,288

Restricted assets were restricted for the capital expansion project and medical learners' project.

4. Long-term receivables:

		2018	2017
Sudbury Hospital Services	$	896	-
Northern Cancer Foundation		1,511	1,726
City of Greater Sudbury		3,445	3,966
HSNRI		19,191	22,368
		25,043	28,060
Less current portion		(1,223)	(1,037)
	$	23,820	27,023

(In thousands of dollars)

5. Capital assets:

			2018
	Cost	Accumulated Amortization	Net book Value
Property	$ 3,767	–	3,767
Buildings and site services	142,355	82,890	59,465
Furniture and equipment	133,950	105,761	28,189
Information technology	67,449	53,774	13,675
Assets under capital leases	5,133	3,996	1,137
Capital project - building	287,877	67,405	220,472
Capital project - equipment	49,080	46,923	2,157
Projects in progress	16,247	–	16,247
	$ 705,858	360,749	345,109

			2017
	Cost	Accumulated Amortization	Net book Value
Property	$ 3,767	–	3,767
Buildings and site services	135,319	78,546	56,773
Furniture and equipment	124,739	97,165	27,574
Information technology	65,694	48,052	17,642
Assets under capital leases	5,133	3,645	1,488
Capital project - building	287,863	60,224	227,639
Capital project - equipment	49,080	45,500	3,580
Projects in progress	14,503	–	14,503
	$ 686,098	333,132	352,966

6. Bank indebtedness:

The Hospital has arranged for credit facilities which include a demand operating line to $40 million. The facilities bear interest at banker's prime rate less 0.25% (2017 - prime rate less 0.25%).

(In thousands of dollars)

7. Accounts payable and accrued liabilities:

		2018	2017
Accounts payable and accrued liabilities:			
- operating	$	39,609	32,721
- capital		1,141	728
- NELHIN and MOHLTC		3,906	4,600
Payroll accruals:			
- salaries and wages		12,241	7,949
- vacation pay		15,598	15,407
- sick leave		230	276
Deferred revenue		5,504	6,820
	$	78,229	68,501

8. Deferred contributions:

Deferred contributions represent unspent externally restricted grants for research and other purposes. The changes in the deferred contributions balance are as follows:

		2018	2017
Balance, beginning of year	$	945	1,091
Contributions received		89	163
Amounts taken to revenue		(265)	(309)
Balance, end of year	$	769	945

(In thousands of dollars)

9. Deferred capital contributions:

Deferred capital contributions represent the unamortized and unspent balances of donations and grants restricted for capital asset acquisitions. Details of the continuity of these funds are as follows:

	2018	2017
Balance, beginning of year	$ 279,807	290,054
Additional contributions		
Equipment and buildings:		
NELHIN and MOHLTC	2,648	1,954
CCO	2,003	4,172
Northern Cancer Foundation	647	151
Health Sciences North Foundation	–	100
Other	317	322
	5,615	6,699
Capital expansion project:		
City of Greater Sudbury	163	186
	5,778	6,885
Less amounts amortized to revenue	(17,490)	(17,132)
Balance, end of year	$ 268,095	279,807

The balance of unamortized and unspent funds consists of the following:

	2018	2017
Unamortized	$ 266,368	276,772
Unspent:		
Building	615	–
Equipment	184	985
Capital Project	928	928
Medical Learners Capital project	–	1,122
	1,727	3,035
	$ 268,095	279,807

(In thousands of dollars)

10. Long-term obligations:

		2018	2017
Employee post-retirement benefits (a)	$	24,565	23,638
Long-term debt (b)		51,256	56,460
Other (c)		654	896
		76,475	80,994
Less: current portion		(8,721)	(4,343)
	$	67,754	76,651

(a) Employee post-retirement benefits:

The Hospital sponsors a post-retirement defined benefit plan for medical, life insurance and dental benefits for substantially all unionized full time employees with various cost-sharing arrangements as determined by their collective agreements. The most recent valuation of the employee future benefits was completed as at April 1, 2015. The next full valuation of the plan will be as of April 1, 2018.

The accrued benefit obligation is recorded in the financial statements as follows:

		2018	2017
Accrued benefit obligation, beginning of year	$	23,638	22,775
Add: Benefit costs		2,294	2,266
		25,932	25,041
Less: Benefit contributions		(1,367)	(1,403)
Adjustment to actuarial valuation		–	–
Balance, end of year	$	24,565	23,638

Similar to most post-employment benefit plans (other than pension) in Canada, the Hospital's plan is not pre-funded, resulting in a plan deficit equal to the accrued benefit obligation.

The significant actuarial assumptions adopted in measuring the Hospital's accrued benefit obligations are as follows:

	2018	2017
Discount rate	3.20%	3.00%
Dental cost trend rates	3.00%	3.00%
Extended health care trend rates	6.00%	6.25%

(In thousands of dollars)

10. Long-term obligations (continued):

(b) Long-term debt:

Long-term debt consists of:

(i) Demand non-revolving loan to $34,000 to finance the Care Point project. The loan bears interest at a rate of prime less 0.25% and is being repaid in unblended monthly payments over ten years. As at March 31, 2018, $9,590 (2017 - $10,656) has been drawn on this facility.

(ii) Demand non-revolving loan to $27,000 to finance advances made to HSNRI. The loan bears interest at a rate of prime less 0.25% and is being repaid in unblended monthly payments over seven years to provide full repayment of the total amount outstanding by March 2025. As at March 31, 2018, $23,048 (2017 - $23,048) has been drawn on this facility. The repayment of this loan parallels the terms and conditions of the long-term receivable from HSNRI (see note 4).

(iii) Demand revolving loan to $26,500 to finance capital expenditures, including completion of the parking lot improvements in the amount of $12,000. The loan bears interest at a rate of prime less 0.25%. As at March 31, 2018, a total of $18,618 (2017 - $22,756) drawn on the facility, of which $10,451 (2017 - $11,016) is to finance parking lot improvements.

Principal repayments of long-term debt are as follows:

2019	$ 8,496
2020	7,896
2021	5,173
2022	5,173
2023	5,173
Thereafter	19,347
	$ 51,258

(c) The Hospital has entered into a six year capital lease for equipment ending February 2021 blended monthly lease payments of $20 and an annual interest rate of 2.85%.

(In thousands of dollars)

11. Change in non-cash working capital:

		2018	2017
Accounts receivable	$	(1,764)	13,323
Inventories		(75)	(762)
Prepayments		784	(2,180)
Accounts payable and accrued liabilities		9,729	230
Current portion of long-term obligation		4,378	3,866
	$	13,052	14,477

12. Pension plan:

Substantially all of the employees of the Hospital are members of the Plan which is a multi-employer defined benefit plan. Contributions to the Plan made during the year on behalf of employees amounted to $20,908 (2017 - $20,548) and are included in employee benefits in the statement of operations.

13. Other entities:

This section addresses disclosure requirements regarding the Hospital's relationships with related entities. The relationship can be one of economic interest, significant influence, joint control or control.

(a) Foundations and Volunteer Association:

The Hospital has an economic interest in the Health Sciences North Foundation. The Health Sciences North Foundation was created for the purpose of promoting and participating in fundraising programs in order to raise money for capital projects and to assist in undertaking all phases of medical research. At March 31, 2018, the amount owing to the Hospital from the Foundation was $318 (2017 - $807). During the year, the Hospital received donations amounting to $1,119 (2017 - $901) from the Health Sciences North Foundation.

The Hospital has an economic interest in the Northern Cancer Foundation. The Northern Cancer Foundation was created for the purpose of promoting and participating in fundraising activities throughout the northeastern Ontario region to support cancer research and cancer care programs of the Northeast Cancer Program. At March 31, 2018, the amount owing to the Hospital from the Foundation was $765 (2017 - $52). During the year, the Hospital received donations amounting to $647 (2017 - $152) from the Northern Cancer Foundation.

The Hospital has an economic interest in the Health Sciences North Volunteer Association. The Health Sciences North Volunteer Association was created for the purpose of promoting and participating in fundraising activities in order to raise money for capital equipment, health related community projects and volunteer activities. At March 31, 2018, the amount owing to the Hospital from the Association was $44 (2017 - $1).

13. Other entities (continued):

(a) Foundations and Volunteer Association (continued):

The Hospital has an economic interest in the NEO Kids Foundation. The NEO Kids Foundation was created for the purpose of promoting and participating in fundraising activities to raise money to support services, equipment, and research for young patients. At March 31, 2018, the amount owing to the Hospital from the Foundation was $14 (2017 - $601). During the year, the Hospital received donations amounting to $230 (2017 - $0) from the NEO Kids Foundation.

(b) Sudbury Hospital Services:

Sudbury Hospital Services was created to provide laundry services to the Hospital based on rates reflecting the costs, expenses and disbursements incurred by them in the normal course of business. The Hospital has significant influence in Sudbury Hospital Services. During the year, the Hospital purchased $2,281 (2017 - $5,771) in laundry, ware-washing and transport services from Sudbury Hospital Services. At March 31, 2018, the amount owing to the Hospital from Sudbury Hospital Services was $767 (2017 - $(467)).

(In thousands of dollars)

13. Other entities (continued):

(c) Sudbury Vascular Laboratory Ltd.:

Sudbury Vascular Laboratory Ltd. was created to operate a vascular laboratory. The Hospital controls Sudbury Vascular Laboratory Ltd.

As at March 31, 2018, Sudbury Vascular Laboratory Ltd. had total amounts owing to the Hospital of $162 (2017 - $120).

Financial information for 2018 and 2017 was not available at the time of the audit report date.

A summary of the most recently available pertinent financial information of Sudbury Vascular Laboratory Ltd. is as follows:

Sudbury Vascular Laboratory Ltd.		2016
Financial position:		
Total assets	$	597
Total liabilities	$	330
Net assets		267
	$	597
Results of operations:		
Total revenue	$	1,490
Total expenses		(1,753)
Income taxes		(15)
Deficiency of revenue over expenses	$	(278)
Cash flows:		
Cash from operations	$	(181)
Cash from financing and investing activities		38
Decrease in cash	$	(143)

(d) Health Sciences North Research Institute:

HSNRI was created on April 1, 2012 to establish a center of excellence in research, education, and training related to health and healthcare delivery. The Hospital has significant influence over HSNRI, a tax-exempt entity without share capital. As at March 31, 2018, HSNRI had total amounts owing to the Hospital of $19,238 (2017 - $21,875).

14. Contingencies:

(a) Legal matters and litigation:

The Hospital is involved in certain legal matters and litigation, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved. Management is of the opinion that these matters are mitigated by adequate insurance coverage.

(b) Employment matters:

During the normal course of operation, the Hospital is involved in certain employment related negotiations and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable.

15. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk refers to the risk that a 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, 2018 is the carrying value of these assets.

Management considers credit risk to be minimal as most of the accounts receivable balance is collected in a timely fashion.

The Hospital follows an investment policy approved by the Board of Directors. The maximum exposure to credit risk of the Hospital at March 31, 2018 is the carrying value of these assets.

There have been no significant changes to the credit risk exposure from 2017.

(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 60 days of the date of an invoice.

There have been no significant changes to the liquidity risk exposure from 2017.