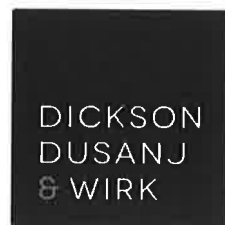


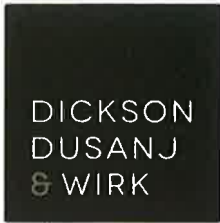
Financial Statements of

Mount St. Mary Hospital
(Owned and Operated by the Marie Esther Society)

Year Ended March 31, 2018



CHARTERED
PROFESSIONAL
ACCOUNTANTS



CHARTERED
PROFESSIONAL
ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To: The Members of the Marie Esther Society

Report on Financial Statements

We have audited the statement of financial position of Mount St. Mary Hospital (the "Hospital") as at March 31, 2018 and the statements of operations, changes in net financial debt, remeasurement gains and losses and cash flows for the year then ended.

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 controls as management determines is necessary to enable the preparation of financial statement that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers Internal 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, these financial statements present fairly, in all material respects, the financial position of the Mount St. Mary Hospital as at March 31, 2018 and the results of its operations, changes in net financial debt, remeasurement gains and losses and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Victoria, B.C.
June 14, 2018

Chartered Professional Accountants

MOUNT ST. MARY HOSPITAL

(Owned and Operated by the Marie Esther Society)

Statement of Financial Position

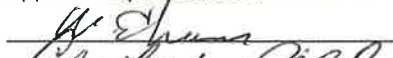
(Amounts expressed in thousands of dollars)

March 31, 2018, with comparative figures for March 31, 2017

	March 31, 2018 \$	March 31, 2017 \$
Financial assets		
Cash and cash equivalents (note 3)	2,544	2,180
Investments (note 4)	796	826
Restricted Endowment Investments (note 9)	78	161
Accounts receivable	93	102
	<u>3,511</u>	<u>3,269</u>
Financial liabilities		
Accounts payable and accrued liabilities	972	927
Vacation Payable	533	549
Employee future benefits (note 5)	1,335	1,373
Deferred operating contributions (note 6)	152	112
Deferred endowment revenue	-	42
Deferred capital contributions (note 7)	20,594	20,835
	<u>23,586</u>	<u>23,838</u>
Net financial debt	<u>(20,075)</u>	<u>(20,569)</u>
Non-financial assets		
Tangible capital assets (note 8)	23,150	23,843
Inventories held for use	2	2
Prepaid expenses	103	116
Restricted endowment investments (note 9)	4,611	4,610
	<u>27,866</u>	<u>28,571</u>
Accumulated surplus	<u>7,791</u>	<u>8,002</u>
Accumulated surplus is comprised of:		
Accumulated operating surplus	7,983	8,077
Accumulated remeasurement gains	(192)	(75)
	<u>7,791</u>	<u>8,002</u>

Contingent liability (note 12)

Approved by the Board of Directors:

 Chair

 Board Member

The accompanying notes are an integral part of these financial statements

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Statement of Operations and Accumulated Operating Surplus
(Amounts expressed in thousands of dollars)

Year ended March 31, 2018, with comparative figures for 2017

	Budget	2018	2017
	\$	\$	\$
	(note 2(g))		
Revenues:			
Health Authority contributions	12,099	12,124	11,887
Patients, clients and residents	4,193	4,130	3,955
Amortization of deferred capital contributions (note 7)	1,118	1,116	1,101
Other revenue (note 10)	659	591	611
Other contributions	148	146	86
Investment income	135	69	140
	<u>18,352</u>	<u>18,176</u>	<u>17,780</u>
Expenses:			
Residential care (note 10)	17,234	17,150	16,679
Amortization	1,118	1,116	1,101
	<u>18,352</u>	<u>18,266</u>	<u>17,780</u>
Annual operating surplus (deficit)	-	(90)	-
Accumulated operating surplus at beginning of year	8,077	8,077	8,076
Endowment principal contribution	-	11	1
Endowment principal transferred to Victoria Foundation		(15)	
Accumulated operating surplus at end of year	<u>8,077</u>	<u>7,983</u>	<u>8,077</u>

The accompanying notes are an integral part of these financial statements

MOUNT ST. MARY HOSPITAL

(Owned and Operated by the Marie Esther Society)

Statement of Changes in Net Financial Debt
(Amounts expressed in thousands of dollars)

Year ended March 31, 2018, with comparative figures for 2017

	Budget	2018	2017
	\$	\$	\$
	(note 2(g))		
Annual operating surplus (deficit)	-	(90)	-
Acquisition of tangible capital assets	(485)	(423)	(264)
Amortization of tangible capital assets	1,118	1,116	1,101
	633	693	837
Acquisition of inventories held for use	(25)	(30)	(17)
Acquisition of prepaid expenses	(90)	(66)	(136)
Consumption of inventories held for use	25	30	22
Use of prepaid expenses	90	81	96
Restricted endowment assets invested	(225)	(1)	(58)
Restricted endowment contributions, earnings, and transfers	-	(6)	1
	(225)	8	(92)
Effect of net remeasurement gains (losses) for the year	(50)	(117)	230
Decrease in net financial debt	358	494	975
Net financial debt, beginning of year	(20,569)	(20,569)	(21,544)
Net financial debt, end of year	(20,211)	(20,075)	(20,569)

The accompanying notes are an integral part of these financial statements

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Statement of Remeasurement Gains and Losses
(Amounts expressed in thousands of dollars)

Year ended March 31, 2018, with comparative figures for 2017

	2018	2017
	\$	\$
Accumulated remeasurement (losses), beginning of year	(75)	(305)
Unrealized gains (losses) attributable to:		
Portfolio investments	(60)	(60)
Endowment investments	(177)	80
Amounts reclassified to the statement of operations:		
Portfolio investments	30	97
Endowment investments	90	113
Net remeasurement gains (losses) for the year	(117)	230
Accumulated remeasurement (losses), end of year	(192)	(75)

The accompanying notes are an integral part of these financial statements

MOUNT ST. MARY HOSPITAL

(Owned and Operated by the Marie Esther Society)

Statement of Cash Flows

(Amounts expressed in thousands of dollars)

Year ended March 31, 2018, with comparative figures for 2017

	2018	2017
	\$	\$
Cash flows from (used in) operating activities:		
Annual operating (deficit)	(90)	-
Items not involving cash:		
Amortization of deferred capital contributions	(1,116)	(1,101)
Amortization of tangible capital assets	1,116	1,101
Retirement allowance expense	117	143
	27	143
Net change in non-cash operating items	49	36
Net change in cash from operating activities	76	179
Capital activities:		
Acquisition of tangible capital assets	(423)	(264)
Net change in cash from capital activities	(423)	(264)
Investing activities:		
(Purchase) proceeds from disposals and redemptions of investments	(165)	466
Restricted endowment assets invested (withdrawn)	145	(219)
Net change in cash from investing activities	(20)	247
Financing activities:		
Retirement allowance benefits paid	(155)	(92)
Capital contributions	875	219
Restricted endowment contributions	11	1
Net change in cash from financing activities	731	128
Increase in cash and cash equivalents	364	290
Cash and cash equivalents, beginning of year	2,180	1,890
Cash and cash equivalents, end of year	2,544	2,180

The accompanying notes are an integral part of these financial statements

MOUNT ST. MARY HOSPITAL

(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
(Tabular amounts are expressed in thousands of dollars)

Year ended March 31, 2018, with comparative figures for 2017

1. Purpose

Mount St. Mary Hospital (the "Hospital") is a residential care facility providing complex care. Founded by the Sisters of St. Ann, the Hospital is owned and operated by the Marie Esther Society, and is directed by a Board of Directors appointed by the Marie Esther Society. The Hospital was incorporated under the Society Act of British Columbia on October 19, 1990 as a not-for-profit organization and is a registered charity exempt from tax under the Income Tax Act.

2. Significant Accounting Policies

(a) Basis of accounting:

The financial statements are prepared by management in accordance with Canadian public sector accounting standards ("PSAS") issued by the Public Sector Accounting Board ("PSAB") as required by Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, except in regard to the accounting for restricted contributions which is based on the Restricted Contributions Regulation 198/2011 and as advised by the Office of the Comptroller General of British Columbia ("OCG").

(b) Employee benefits:

(i) Defined benefit obligations, including multiple employer benefit plans:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple employer defined long-term disability benefits plans as employees render services to earn the benefits.

The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). Plan assets are measured at fair value.

The discount rate used to measure obligation is based on the cost of borrowing. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented.

(ii) Defined contribution plans and multi-employer benefit plans:

Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed when due and payable.

(iii) Accumulating, non-vesting benefit plans:

Benefits that accrue to employees, which do not vest, such as sick leave banks for certain employee groups, are accrued as the employees render services to earn the benefits, based on estimates of the expected future settlements.

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
(Tabular amounts are expressed in thousands of dollars)

Year ended March 31, 2018, with comparative figures for 2017

2. Significant Accounting Policies (continued)

(b) Employee benefits (continued):

(iv) Non-accumulating, non-vesting benefit plans:

For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Hospital to pay benefits occurs.

(a) Non-financial assets:

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Costs include overhead directly attributable to construction and development.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight line basis over their estimated useful lives as follows:

Buildings	20 - 35 years
Furniture and equipment	5 - 10 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Hospital's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The write-downs of tangible capital assets are recorded in the statement of operations. Write downs are not subsequently reversed.

Contributed tangible capital assets are recorded at their fair value on the date of contribution. When fair value of a contributed asset cannot be reliably determined, the asset is recorded at nominal value.

(b) Revenue recognition:

Under the *Hospital Insurance Act and Regulation* thereto, the Hospital is funded by the Island Health Authority in accordance with the service provider agreement established and approved by the Health Authority.

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
(Tabular amounts are expressed in thousands of dollars)

Year ended March 31, 2018, with comparative figures for 2017

2. Significant Accounting Policies (continued)

(d) Revenue recognition (continued):

Under the framework described in note 2(a), externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services, are considered to be deferred capital contributions and are amortized to revenue at the same rate as the amortization of the associated tangible capital asset. The amortization of the deferred capital contributions is recognized over the period in which the tangible capital asset is providing services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.
- (ii) Contributions externally restricted for specific purposes other than for the acquisition or development of a depreciable tangible capital asset are recorded as deferred operating contributions, or deferred research and designated contributions, and recognized in revenue in the year in which the stipulation or restriction on the contribution have been met by the Hospital.
- (iii) Contributions restricted to be retained in perpetuity, allowing only the investment income earned thereon to be spent are recorded as restricted endowment contributions in the statement of operations for the portion to be held in perpetuity and as deferred contributions for any restricted investment income earned thereon.

Investment income includes interest recorded on an accrual basis and dividends recorded as declared, realized gains and losses on the sale of investments, and write-downs on investments where the loss in value is determined to be other-than-temporary.

Volunteers contribute a significant amount of their time each year to assist the Hospital in carrying out its programs and services. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements. Contributions of assets, supplies and services that would otherwise have been purchased are recorded at fair value at the date of contribution, provided a fair value can be reasonably determined.

Contributions for the acquisition of land, or the contribution of land, are recorded as revenue in the period of acquisition or transfer of title.

(e) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
(Tabular amounts are expressed in thousands of dollars)

Year ended March 31, 2018, with comparative figures for 2017

2. Significant Accounting Policies (continued)

(e) Measurement uncertainty (continued):

Significant areas requiring the use of estimates include the estimated useful lives of tangible capital assets, contingent liabilities, fair value of designated financial instruments, and the future costs to settle employee benefit obligations.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

(f) Financial Instruments:

Upon inception and subsequent to initial recognition equity instruments quoted in an active market and any designated financial instruments are measured at fair value. All other financial assets and financial liabilities are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Financial instrument classification is determined upon inception and financial instruments are not reclassified into another measurement category for the duration of the period they are held.

Financial instruments measured at fair value are classified as level 1, 2 or 3 for the purposes of describing the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category, as described below:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly
Level 3	Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of re-measurement gains and losses and recognized in the statement of operations.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statement of operations. A write-down to reflect a loss in value is not reversed for a subsequent increase in value.

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
 (Tabular amounts are expressed in thousands of dollars)

Year ended March 31, 2018, with comparative figures for 2017

2. Significant Accounting Policies (continued)

(f) Financial Instruments (continued):

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs for financial instruments measured using cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs for financial instruments measured at fair value are expensed. A financial liability or its part is derecognized when it is extinguished.

i. Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

ii. Portfolio investments

Portfolio investments include banker's acceptances, treasury bills, equities and bonds and are recorded at fair value. Transaction costs are recorded using the effective interest rate method.

iii. Other financial liabilities

The estimated fair market value of accrued vacation pay approximates its carrying value. The estimated fair value of accrued sick and severance pay approximates its carrying value as determined by actuarial valuation.

(g) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Hospital's Fiscal 2017/2018 Budget approved by the Board of Directors on September 28, 2017 and published in the Hospital's Service Plan. The budget is reflected in the statement of operations and accumulated operating surplus and the statement of changes in net financial assets (net debt).

3. Cash and Cash Equivalents

Cash and cash equivalents are comprised of the following:

	2018 \$	2017 \$
Cash	1,597	1,243
Short-term investments	947	937
	<u>2,544</u>	<u>2,180</u>

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
 (Tabular amounts are expressed in thousands of dollars)

Year ended March 31, 2018, with comparative figures for 2017

4. Investments

Investments are comprised of the following:

	2018	2017
	\$	\$
Equities	796	826

5. Employee Future Benefits

(a) Accrued sick and severance pay

Under the terms of the employer's union contracts, employees with ten years of service and having reached a certain age are entitled to receive special payments upon retirement (or other circumstances specified in the collective agreement). These payments are based upon accumulated sick leave credits and entitlements for each year of service. The liability for amounts which may become payable to retiring employees has been estimated by independent actuarial valuation as at March 31, 2018, using an early measurement date of December 31, 2017.

The accumulated benefit obligation for sick leave and severance benefits as at March 31, 2018 are as follows:

	2018	2017
	\$	\$
Accrued benefit obligation:		
Sick leave benefits	550	552
Severance benefits	653	663
Total unfunded obligation	1,203	1,215

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
 (Tabular amounts are expressed in thousands of dollars)

Year ended March 31, 2018, with comparative figures for 2017

5. Employee Future Benefits (continued)

(a) Accrued sick and severance pay (continued):

The accrued benefit obligation for the retirement allowance reported on the statement of financial position is as follows:

	2018	2017
	\$	\$
Balance, beginning of year	1,373	1,322
Current service cost	94	98
Amortization	(25)	(7)
Interest expense	48	52
Net benefit expense	117	143
Benefits paid	(155)	(92)
Balance, end of year	1,335	1,373

The significant actuarial assumptions adopted in measuring the Hospital's accrued sick and severance liabilities are as follows:

	2018	2017
Accrued benefit obligation as at March 31:		
Discount rate	4.01%	3.86%
Rate of compensation increase	2.50%	2.50%
Benefit costs for the years ended March 31		
Discount rate	3.86%	3.93%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increase	2.00%	2.00%

(b) Employee pension benefits

The Hospital and its employees contribute to the Municipal Pension Plan, a multi-employer defined benefit pension plan governed by the BC Public Sector Pension Plans Act. Employer contributions to the Municipal Pension Plan of \$896,797 (2017 - \$918,699) were expensed during the year.

(c) Employee healthcare benefits

The Hospital contributes to the Healthcare Benefit Trust and BC Health Services multi-employer plans for group life insurance, accidental death and dismemberment, extended health and dental, and long-term disability benefits for employees. Employer contributions to the Healthcare Benefit Trust of \$976,120 (2017 - \$956,693) and to BC Health Services of \$73,805 (2017 - \$72,563) were expensed during the year.

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
 (Tabular amounts are expressed in thousands of dollars)

Year ended March 31, 2018, with comparative figures for 2017

6. Deferred Operating Contributions

Deferred contributions represent unspent resources externally restricted for special programs. These programs include additional staff training to enhance resident care, pet therapy, gardens, pastoral care, resident activities, and one-time operating funding from the Health Authority deferred from the prior fiscal year. Changes in deferred contributions balance are as follows:

	2018	2017
	\$	\$
Balance, beginning of year	112	121
Donations received	186	77
Amounts recognized as revenue in the year	(146)	(86)
Balance, end of year	152	112

7. Deferred Capital Contributions

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

	2018	2017
	\$	\$
Balance, beginning of year	20,835	21,717
Capital funding	875	219
Amounts recognized as revenue in the year	(1,116)	(1,101)
Balance, end of year	20,594	20,835

The balance of unamortized capital contributions related to property and equipment consists of the following:

	2018	2017
	\$	\$
Unamortized capital contribution used to purchase property and equipment	19,410	20,103
Unspent contributions	1,184	732
Balance, end of year	20,594	20,835

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
 (Tabular amounts are expressed in thousands of dollars)

Year ended March 31, 2018, with comparative figures for 2017

8. Tangible Capital Assets

<u>Cost</u>	March 31, 2017	Additions	Disposals	March 31, 2018
	\$	\$	\$	\$
Land	3,740	-	-	3,740
Building	32,910	172	(18)	33,064
Equipment	5,157	251	(197)	5,211
	41,807	423	(215)	42,015

<u>Accumulated Amortization</u>	March 31, 2017	Amortization	Adjustment	March 31, 2018
	\$	\$	\$	\$
Building	13,259	970	(18)	14,211
Equipment	4,705	146	(197)	4,654
	17,964	1,116	(215)	18,865

<u>Net Book Value</u>	2018	2017
	\$	\$
Land	3,740	3,740
Building	18,853	19,651
Equipment	557	452
	23,150	23,843

9. Restricted Endowment Investments

Restricted endowment investments are comprised of the following:

	2018	2017
	\$	\$
Cash	204	377
Short-term investments	1,393	1,484
Fixed income	85	82
Equities	3,007	2,828
	4,689	4,771

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
 (Tabular amounts are expressed in thousands of dollars)

Year ended March 31, 2018, with comparative figures for 2017

9. Restricted Endowment Investments (continued)

	2018	2017
	\$	\$
Restricted Endowment Investments Available to spend	4,689 (78)	4,771 (161)
Restricted Principle	4,611	4,610

10. Statement of Operations

Other revenue is comprised of the following:

	2018	2017
	\$	\$
Cafeteria	104	93
Resident services	65	65
Parking fees	54	53
Community bathing	4	4
Wage recovery	100	96
Endowment revenue	208	218
Other	56	82
	591	611

Residential care is comprised of the following:

	2018	2017
	\$	\$
Salaries, wages and benefits	14,333	13,982
Supplies	1,248	1,170
Laundry and other purchased services	441	439
Pharmacy costs	395	396
Utilities	300	286
Premises	272	259
Sundry	134	125
Special Programs	27	22
	17,150	16,679

MOUNT ST. MARY HOSPITAL

(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
(Tabular amounts are expressed in thousands of dollars)

Year ended March 31, 2018, with comparative figures for 2017

11. Risk Management

The Hospital has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include credit risk, currency risk, interest rate risk, liquidity risk and other price risk. There have been no significant changes in the Hospital's risk exposure from the prior year.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Hospital to credit risk consist primarily of accounts receivable. Accounts receivable are not concentrated with any single party, and therefore the Hospital is not subject to any significant concentration of credit risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Hospital is not exposed to significant currency risks arising from its financial instruments.

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 Hospital is not exposed to significant interest rate risks arising from its financial instruments.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Hospital's cash requirements. The Hospital is not exposed to significant liquidity risks arising from its financial instruments.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Hospital is not exposed to significant other price risk.

12. Contingent Liability

The nature of the Hospital's activities is such that there may be litigation pending or in progress at any time. Any outstanding claims at March 31, 2018 are not expected to have a material effect on the Hospital's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for in the financial statements based on management's best estimate of the ultimate settlement. No contingencies have been recorded in the year (2017: \$0).

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
 (Tabular amounts are expressed in thousands of dollars)

Year ended March 31, 2018, with comparative figures for 2017

13. Impact of Accounting for Restricted Contributions in Accordance with Section 23.1 of the Budget Transparency and Accountability Act:

As disclosed in the significant accounting policies note 2, Restricted Contributions Regulation 198/2011 requires the Hospital to recognize revenue from restricted contributions for the purpose of acquiring or developing a depreciable tangible capital asset on the same basis as the related amortization expense of the tangible capital asset. As these transfers do not contain stipulations or restrictions creating a liability over the term of the expected useful life of a related capital tangible assets, PSAS would require these contributions to be recognized in revenue as a tangible capital asset is acquired or developed and construction of a tangible capital asset is complete.

The impact of the departure from PSAS on the financial statements of the Hospital is as follows:

For the year ended March 31, 2017	
Decrease in operating surplus	\$837
As at March 31, 2017	
Increase in accumulated operating surplus	\$20,103
Decrease in deferred capital contribution	\$20,103
For the year ended March 31, 2018	
Decrease in operating surplus	\$693
As at March 31, 2018	
Increase in accumulated operating surplus	\$19,410
Decrease in deferred capital contribution	\$19,410

14. The Victoria Foundation

The Hospital holds an endowment known as the "Mount St. Mary Hospital Fund" at the Victoria Foundation. The Hospital is the beneficiary of grants from the fund which are made from time to time according to the Foundation's distribution policy and following recommendations from the Hospital and approval of the Foundation's Board of Directors. The endowment is not reflected in the Hospital's assets on the statement of financial position. The fair market value of this endowment at March 31, 2018 is \$22,378.

15. Residents' Trust Funds

	2018 \$	2017 \$
Residents' funds held in trust	67	57

The residents' funds held in trust are not included in the accompanying financial statements.

MOUNT ST. MARY HOSPITAL
(Owned and Operated by the Marie Esther Society)

Notes to the Financial Statements
(Tabular amounts are expressed in thousands of dollars)

Year ended March 31, 2018, with comparative figures for 2017

16. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's financial statements presentation.